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

FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT

Year Ended June 30, 2017



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#### INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS OF SELECTED FUNDS

Mississippi Development Authority Jackson, Mississippi

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the aggregate of General Funds 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 of the Mississippi Development Authority ("MDA") which comprise the aggregated balance sheet as of June 30, 2017, and the related aggregated statement of revenues, expenditures 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 audit 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 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 of MDA present fairly, in all material respects, the financial position of the aggregate of General Funds 2241100000, 5341X00000, 634AE00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 of MDA as of June 30, 2017 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 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 present only the financial position and changes in financial position of that portion of the governmental activities of the MDA and of the State of Mississippi that is attributable to the transactions of the aggregate of General Funds 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 634BB10000, 6340130000, 6344E00000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000. They do not purport to, and do not, present fairly the financial position of the MDA or the State of Mississippi as of June 30, 2017, 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 Matter**

# Required Supplementary information

Management has omitted the Management Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the 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 the MDA's internal control over financial reporting and compliance.

Can, Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi January 22, 2018

June 30, 2017	2	Fund 241100000	Fund 5341X00000	Fund 634AE00000	Fund 63488100000	Fund 6340130000	Fund 6340600000	Fund 634HM00000	Fund 6340900000	Fund 6345216100	Fund 3341R00000	Fund 334AF00000	Fund 634HM10000	Fund 634KE00000	Fund 634KW10000	Fund 5341W00000	Total
Assets																	
Current assets:																	
Equity in state treasury funds	\$	1,550,750 \$	(144,164) \$	34,832,367	4,079,975 \$	7,487,950 \$	258	\$ 251,801 \$	9,423,822 \$	8,038,713	2,552,015	3,238,603	\$ -	\$ 15,548,222	\$ 4,626,608 \$	(11,657)	\$ 91,475,263
Due from federal government			1,246,684		æ	×	2.								S.	35,117,136	36,363,820
Due from other funds		24		12,814	4	2,780		4	3,474	1	1,159	1,194	-14	876,175	1,705	1,411,943	2,311,244
Notes receivable		3 <del>.</del>		1,867,236				ũ.		ě.	2,192,244	1		721,977	3	14,833	4,796,290
Interest receivable			( <b>•</b> )	138,986				Se		a	3,935	0		197,851	31	- 18,715	359,487
Total assets	\$	1,550,750 \$	1,102,520 \$	36,851,403	4,079,975 \$	7,490,730 \$	258	\$ 251,801 \$	9,427,296	8,038,713	4,749,353 \$	3,239,797	ş.	\$ 17,344,225	\$ 4,628,313 \$	36,550,970	\$ 135,306,104
Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit) Accounts payable Due to other state treasury funds Due to other governments	\$	1,013,258 \$ 72,968 22,242	51,906 \$ 332,596 2,303,387	*	250,039 \$	698,995 \$ 219,505	258	\$-\$	- इ.	5 4,069,194 -	\$ 400,000 \$ -	5 4,001,152 - 40,982	\$-	\$ 42,171 35,326	\$. \$	2,694,190 35,683,987 2,395,173	\$ 13,221,163 36,309,056 4,797,110
Total liabilities		1,108,468	2,687,889	¢.	250,039	918,500	258		æ	4,069,194	400,000	4,042,134		TT,497	T	40,773,350	\$4,327,329
Deferred Inflows of Resources																	
Related to Federal revenues		*	578,020	*										14		35,117,119	35,695,139
Fund deficit - unrestricted		3	(2,163,389)	×.,	æ.		9 <b>4</b>		34		э.	(802,337)			200	(39,339,499)	(42,305,225)
Fund balance - restricted	_	442,282	5 <b>8</b> 4	36,851,403	3,829,936	6,572,230	•	251,801	9,427,296	3,969,519	4,349,353			17,266,728	4,628,313		87,588,861
Total liabilities, deferred inflows of resources and fund balance	ł	1,550,750 \$	1,102,520 \$	36,851,403	4,079,975 \$	7,490,730 \$	258	\$ 251,801 \$	9,427,296	8,038,713	4,749,353	3,239,797		\$ 17,344,225	\$ 4,628,313 \$	36 550 070	\$ 135,306,104

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

# 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

Year ended June 30, 2017	Fund 2241100000	Fund 5341X00000	Fund 634AE00000	Fund 63488100000	Fund 6340130000	Fund 6340600000	Fund 634HM00000	Fund 6340900000	Fund 6345216100	Fund 3341R00000	Fund	Fund 634HM10000	Fund 634KE00000	Fund	Fund	Total
TEUT ENACU JUNE JU, 2017	224110000	334140000	0344200000	0348810000	0040130000	634080000	634/1M00000	634090000	6345216100	3341KVUUUU	334AF00000	0344INI10000	634KEUUUUU	634KW10000	5341W00000	Total
Revenues:																
Federal government	\$ - 5	26,574,175	\$.\$	- 5	. 5	- 5	- \$	- \$	- \$	- \$	- \$	- \$	. 5		118,664,644	\$ 145,238,8
Bond proceeds			•						20,000,000				•			20,000,00
Loan repayments			5,637,938					140			÷.	× .	448,141		98,147	6,1 <b>84,2</b> 2
Interest income			1,606,344		100,051	32,195	2,755	183,148		93,062	21,538	21,939	1,536,290	63,365	118,732	3,779,41
Other income	¥	4	2,145,481		361,937		÷	•	3	•	6,336.931	756,301	8,230,712	2,160,061	221.177	20,212,6
Total revenues		26,574,179	9,389,763	31	461,988	32,195	2,755	183,148	20,000,000	93,062	6,358,469	778,240	10,215,143	2,223,426	119,102,700	195,415,0
Expenditures:																
Salaries	10,732,891	538,789	282	31	<u>.</u>		*	100		*	: •:				1,578,002	12,849,6
Travel	630,777	18,316	3 <b>4</b> 5												42,513	691,6
Contractuals	5,487,149	49,889	100					1.00							5,860,873	11,397,9
Commodities	450,003	3,375	24.5			*				•			×.		30,138	483,5
Capital outlay	177,936	22	1.00		•			182				,				177,9
Subsidies	1,164,516	25,096,726	- 10 C	5,655,749	3,405,753	5,294,035	12,576	10,602,969	13,280,481	4,925,552	3,889,673	1,546,280	7,401,723	2,128,858	29,785,030	114,189,93
Other expenditures	1,590		•	•	•	•	•				4,774,072				36,000	4,811,5
Total expenditures	18,644,772	25,707,095		5,655,749	3,405,753	5,294,035	12,576	10,602,969	13,280,481	4,925,552	8,663,745	1,546,280	7,401,723	2,128,868	37,332,556	144,602,1
Excess (deficit) of revenues over																
expenditures	(18,644,772)	867,084	9,389,763	(5,655,749)	(2,943,765)	(5,261,840)	(9,821)	(10,419,821)	6,719,519	(4,832,490)	(2,305,276)	(768,040)	2,813,420	94,558	81,770,144	50,812,93
Other financing sources (uses):																
Transfers in	19,174,967				40		395	30,802			- 145	870,550		11,594	387,760	20,476,1
Transfers out	[153,909]	[206,575]			(489,655)	(45,690)	(3,192)	[194,946]	(2,750,000)	•	:*	(7,872,863)	×	(2,577,820)	(75,151,973)	(89,446,6)
Net other financing sources (uses)	19,021,058	(206,575)		×	(489,615)	(45,690)	(2,797)	(164,144)	(2,750,000)	×		(7,002,313)		(2,566,226)	(74,764,213)	(68,970,5)
Excess (deficit) of revenues over expenditures		660 B/C		/s ess 340'	la 100 and'	(n	he est	(		14 and 18 -1		(n				he 187 -
and other financing sources (uses)	376,286	660,509	9,389,763	(5,655,749)	(3,433,380)	(5,307,530)	(12,618)	(10,583,965)	3,969,519	(4,832,490)	(2,305,276)	(7,770,353)	2,813,420	(2,471,668)	7,005,931	(18,157,6)
Fund balance, beginning of year	65,996	(2,823,898)	27,461,640	9,485,685	10,005,610	5,307,530	264,419	20,011,261	24	9,181,843	1,502,939	7,770,353	14,453,308	7,099,981	(46,345,430)	63,441,23
Fund balance (deficit), end of year	\$ 442,282	(2,163,389)	\$ 36,851,403 \$	3,829,936 \$	6,572,230 \$	- \$	251,801 \$	9,427,296 \$	3,969,519 \$	4,349,353 \$	(B02,337) \$	- \$	17,265,729 \$	4,628,313	(39.339,499)	\$ 45,283,63

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

# **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

## **Background Information**

The Mississippi Development Authority ("MDA") 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* 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000

Fund 2241100000 – *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 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 634BB10000 – *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 6340130000, 634HM00000, and 634HM10000- *Economic Development Highway Fund* are 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.

Fund 6340600000- *ACE bond* fund is the ACE program designed for making grants to economic development entities to assist in funding extraordinary economic development opportunities that would promote growth in the state.

# NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund 6340900000- *Ingalls Shipyard* is a bond fund created to finance capital improvements at the Ingalls shipyard in order to modernize & keep it competitive with other shipyards.

Fund 6345216100- *Continental Tire* is a bond fund created to contribute to the financing and other costs of constructing the Continental Tire Plant in Clinton, MS.

Fund 3341R00000- Agribusiness Enterprise Loan Program (ABE), is a loan program designed to encourage the extension of conventional financing and the issuance of letters of credit, by private institutions, to agribusiness enterprises in the State of Mississippi.

Fund 334AF00000- *MS Tourism Rebate Program* provides a tax rebate to qualified applicants of new tourism-oriented projects in the state.

Fund 634KE00000- *Capital Improvement Revolving Loan* is a tax-exempt bond fund for the Capital Improvements Revolving Loan Program that provides loans to municipalities and counties for the improvement of public facilities and infrastructure to assist with business locations and expansions with community-based projects.

Fund 634KW10000- *Capital Improvement Revolving Loan* is a taxable bond fund that provides loans to municipalities and counties for the improvement of public facilities and infrastructure to assist with business locations and expansions with community-based projects.

Fund 5341W00000- *Disaster Recovery Fund* is used for Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development (HUD) for the Hurricane Katrina, 2008 Midwest Floods, and Hurricane Ike disasters.

#### 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 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 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 January 22, 2018 which is the date the financial statements were available to be issued.

# **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 all financial resources not accounted for and reported in another fund.

#### **Notes Receivable**

Notes receivable are reported net of allowances for uncollectible accounts, where applicable. Receivables reported in the funds selected for audit are made up of notes receivable outstanding to entities for economic development.

Amounts recorded in notes receivable at June 30, 2017 of \$4,796,290 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.

# NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

# **Deferred Inflows of Resources**

Deferred inflows of resources are a separate financial statement element that represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

#### **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

Equity in State Treasury funds 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 <u>Miss. Code Ann.</u> (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 the funds selected for audit are detailed below.

					Gener	al Fund					
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
June 30, 2017	2241100000	5341X00000	6340130000	6340600000	634HIN00000	634090000	6345216100	634HM10000	634KW10000	5341W00000	Total
MS Department of Financeand Administration	\$ 19,174,967	\$\$			\$ - {	<b>j</b> .	\$.		\$-\$	- \$	19,174,967
MS Office of State Treasurer	3 <b>4</b> 0	540	(103,460)	(45,690)	(2,687)	[194,946]		43,342	(65,680)		(455,805)
MS Department of Transportation	19		(182,209)		(505)	05	(2,750,000)	[7,829,521]	•		(10,762,234)
MS Department of Wildlife and Fisheries	(45,000)	( <b>*</b> )									(45,000)
MS Department of Archives and History	(2,000)				•		٠			(90,386)	92,366
MS Office of State Aid Road Construction	1		(219,369)				•			÷.	(219,369)
MS Port Authority at Gulfport	142	200			•				•3	(64,679,401)	(64,679,401)
MS Department of Environmental Quality					÷.					(9,481,154)	(9,481,154)
MS Office of the Governor	142	540				24		2		(64,641)	(64,641)
MS Office of the State Auditor	:: <b>*</b> ::			æ	•	.*			22	(104,735)	(104,735)
Various Mississippi Development Authority Funds	(106,909)	[206,575]	15,422	<b>a</b>	扔	30,802	×	870,550	(2,500,546)	(343,896)	(2,240,757)
	\$ 19,021,058	206,575	(419,615)	(45,690)	\$ [2,797] ;	5 (164,144)	\$ (2,750,000)	7,002,313	\$ [2,566,226] \$	(74,764,213) \$	64,970,515

# NOTE 4: DUE FROM AND TO OTHER STATE TREASURY FUNDS

Due from other State Treasury Funds consisted of the following:

	_					General Func	1							
	-	Fund	Fund		Fund	Fund	Fund		Fund		Fund	Fund		
June 30, 2017	63	AE00000	63401	30000	6340900000	3341R0000	)	334AF00000	634KE00000	_	634KW10000	5341W00000		Total
MS Department of Human Services	\$	- \$		- \$		\$	- 5		\$	- \$		\$ 3,765	\$	3,765
MS Department of Revenue				140						•		14,743		14,743
MS Government Employees Deferred Comp				0 <b>0</b> .0			•			•		1,200		1,200
Public Employees Retirement System of MS		()		٠	•					•		82,800		82,800
MS Office of State Treasurer		12,814		2,780	3,474	1,1	159	1,194	5,71	0	1,705			28,836
Various Mississippi Development Authority Funds				(*)				,	870,48	5	•	1,309,435		2,179,900
	\$	12,814 \$		2,780 \$	3,474	\$ 1,1	159 \$	1,194	\$ 876,17	5\$	1,705	\$ 1,411,943	\$	2,311,244

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

				Gene	ral	Fund				
	Fund			Fund	_	Fund	Fund			
June 30, 2017	Fund	nd 2241100000		Fund 5341X00000		Fund 6340130000		Fund 5341W00000		Total
MS Office of State Treasurer	\$	1,000	\$		\$		\$		\$	1,000
MS Department of Archives and History								90,385		90,385
MS Department of Environmental Quality						3 <b>9</b>		476,483		476,483
MS Department of Revenue		88								88
MS Office of State Aid Road Construction						136				136
MS Port Authority at Gulfport								35,117,119		35,117,119
Various Mississippi Development Authority Funds		71,880		332,596		219,369				623,845
	\$	72,968	\$	332,596	\$	219,505	\$	35,683,987	\$	36,309,056

Due to other State Treasury Funds consisted of the following:

# **NOTE 5: 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 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 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF00000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 of the Mississippi Development Authority ("MDA"), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated January 22, 2018. We have also audited the Schedule of Changes in Notes Receivable and Schedule of Analysis of Changes in Accrued Compensated Absences (the Schedules) as of and for the year ended June 30, 2017, and the related notes to the Schedules and have issued our reports thereon dated January 22, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements and the Schedules, 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 Schedules, 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 2241100000, 5341X00000, 634AE00000, 634BB10000, 6340130000, 6340600000, 634HM00000, 6340900000, 6345216100, 3341R00000, 334AF000000, 634HM10000, 634KE00000, 634KW10000 and 5341W00000 and the Schedules 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.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi January 22, 2018



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

Mississippi Development Authority Jackson, 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 ("MDA") as of and for the year ended June 30, 2017. 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 general 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 MDA funds selected for audit as of and for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

# **Emphasis of Matter**

The Schedule of Changes in Notes Receivable referred to above is intended to present only the changes in notes receivable of the general funds related to the MDA funds selected for audit. MDA is an agency of the State of Mississippi. This schedule is not intended to present the financial position and results of operations for the State of Mississippi or MDA.

# **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of 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 MDA's internal control over financial reporting and compliance.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi January 22, 2018

# Mississippi Development Authority (A Department of the State of Mississippi) Schedule of Changes in Notes Receivable

Fund 634AE00000		Balances as of July 1, 2016	Additions		Deletions	Balances as of June 30, 2017
Notes receivable Allowance for Ioan loss	\$	231,860,913 \$ (70,958,637)	5 1,205,80 (74,012,59		(5,785,896) <b>\$</b> 55,556	227,280,820 (144,915,679)
Total notes receivable, net	\$	160,902,276	6 (72,806,79	5)\$	(5,730,340)	82,365,141
L	ess: I	Long-term portion	of notes recei	vable,	net of allowance	(62,491,875)
		Current portion	of notes recei	vable,	net of allowance \$	19,873,266

Fund 3341R00000		Balances as of July 1, 2016		Additions		Deletions	Balances as of June 30, 2017
Notes receivable Allowance for loan loss	\$	63,015,653	\$	19,999,557	\$	(12,882,815) <b>\$</b> -	70,132,395
Total notes receivable, net	\$	63,015,653	\$	19,999,557	\$	(12,882,815)	70,132,395
L	ess:	Long-term portio	on c	of notes receiva	ble,	net of allowance	(62,967,659)
		Current portio	on c	of notes receiva	ble,	net of allowance \$	7,164,736

		Balances as of						Balances as of
Fund 634KE00000		July 1, 2016		Additions		Deletions	_	June 30, 2017
Notes receivable Allowance for Ioan Ioss	\$	48,086,840	\$	5,339,498	\$	(5,064,243)	\$	48,362,095
Total notes receivable, net	\$	48,086,840	\$	5,339,498	\$	(5,064,243)		48,362,095
	Less: I	ong-term portio	on c	of notes receival	ole,	net of allowance		(43,946,800)
		Current portio	on d	of notes receival	ole,	net of allowance	\$	4,415,295

# Mississippi Development Authority (A Department of the State of Mississippi) Schedule of Changes in Notes Receivable

Fund 5341W00000		Balances as of July 1, 2016		Additions		Deletions	Balances as of June 30, 2017
Notes receivable Allowance for Ioan Ioss	\$	3,982,365	\$	-	\$	(83,314) <b>\$</b>	3,899,051
Total notes receivable, net	\$	3,982,365	\$		\$	(83,314)	3,899,051
	.ess: L	ong-term portic	on c	of notes receiva	ble,	net of allowance	(3,804,654)
		Current portio	on c	of notes receiva	ble,	net of allowance \$	94,397

Total		Balances as of July 1, 2016		Additions		Deletions	Balances as of June 30, 2017
Notes receivable Allowance for loan loss	\$	346,945,771 (70,958,637)	\$	26,544,858 (74,012,598)	\$	(23,816,268) \$ 55,556	349,674,361 (144,915,679)
Total notes receivable, net	\$	275,987,134	\$	(47,467,740)	\$	(23,760,712)	204,758,682
L	ess: I	Long-term portio	n c	of notes receivab	ole,	net of allowance	(173,210,988)
		Current portio	n c	of notes receivab	le,	net of allowance \$	31,547,694

# Mississippi Development Authority (A Department of the State of Mississippi) Notes to Schedule of Changes in Notes Receivable

## **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 general fund financial statements selected for audit 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, 2017 is \$144,915,679.



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# INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF ANALYSIS OF CHANGES IN ACCRUED COMPENSATED ABSENCES

Mississippi Development Authority Jackson, Mississippi

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

We have audited the accompanying Schedule of Analysis of Changes in Accrued Compensated Absences of Mississippi Development Authority ("MDA") as of and for the year ended June 30, 2017. 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 Analysis of Changes in Accrued Compensated Absences referred to above presents fairly, in all material respects, the balance of and the changes in accrued compensated absences of MDA as of and for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

# **Emphasis of Matter**

The Schedule of Changes in Accrued Compensated Absences referred to above is intended to present only the changes in accrued compensated absences of MDA, an agency of the State of Mississippi. This schedule is not intended to present the financial position and results of operations for the State of Mississippi or MDA.

# Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of 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 MDA's internal control over financial reporting and compliance.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi January 22, 2018

# Mississippi Development Authority (A Department of the State of Mississippi) Schedule of Analysis of Changes in Accrued Compensated Absences

	I	Balances as of					Balances as of
		July 1, 2016	_	Additions	_	Deletions	June 30, 2017
Accrued compensated absences	\$	1,289,898	\$	501,549	\$	(515,828)	\$ 1,275,619
Total	\$	1,289,898	\$	501,549	\$	(515,828)	\$ 1,275,619

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

# Mississippi Development Authority (A Department of the State of Mississippi) Notes to Schedule of Analysis of Changes in Accrued Compensated Absences

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

#### Accumulated Compensated Absences

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

#### **NOTE 2: COMPENSATED ABSENCES**

MDA's liability for compensated absences at June 30, 2017, is \$1,275,619 for governmental activities. The report liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee.