



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



# **Mississippi Department of Marine Resources**

Independent Auditor's Reports and Financial Statements  
of Treasury Governmental Fund

June 30, 2017



# Mississippi Department of Marine Resources

June 30, 2017

## Contents

<b>Independent Auditor's Report.....</b>	<b>1</b>
 <b>Financial Statements of Treasury Governmental Fund</b>	
Balance Sheet .....	4
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5
Notes to Financial Statements .....	6
 <b>Supplementary Information of Treasury Governmental Fund</b>	
Combining Balance Sheet.....	11
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	12
 <b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>.....</b>	
	<b>13</b>

## Independent Auditor's Report

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

### Report on the Financial Statements of Treasury Governmental Fund

We have audited the accompanying financial statements of the treasury governmental fund of the Mississippi Department of Marine Resources (MDMR) as of and for the year ended June 30, 2017, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the treasury governmental fund of MDMR as of June 30, 2017, and the respective changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1*, the financial statements present only the treasury governmental fund and do not purport to, and do not present fairly the financial position of MDMR as of June 30, 2017, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on MDMR's treasury governmental fund's financial statements as a whole. The combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of MDMR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

Mr. Jamie M. Miller  
Executive Director  
Mississippi Department of Marine Resources  
Page 3

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDMR's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi  
December 7, 2017

**Mississippi Department of Marine Resources**  
**Balance Sheet of Treasury Governmental Fund**  
**June 30, 2017**

**Assets**

Cash	\$ 33,166,625
Receivables	348,997
Due from other governments	3,219,212
Due from other funds	<u>380,774</u>
 Total assets	 <u><u>\$ 37,115,608</u></u>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	\$ 1,712,011
Cash payments in excess of available balance	1,260,900
Due to other funds	37,418
Due to other governments	3,235,041
Funds held for others	20,397
Unearned federal revenues	<u>1,054,138</u>
 Total liabilities	 <u>7,319,905</u>

**Fund Balance**

Restricted for Marine Resources	30,862,531
Unassigned	<u>(1,066,828)</u>
 Total fund balance	 <u>29,795,703</u>
 Total liabilities and fund balance	 <u><u>\$ 37,115,608</u></u>



# Mississippi Department of Marine Resources

## Statement of Revenues, Expenditures and Changes in Fund Balance of Treasury Governmental Fund

Year Ended June 30, 2017

### Revenues

State appropriation/allotment	\$ 3,849,357
Federal grant revenue	15,218,467
Other grant or contractual revenues	3,433,624
Rental of state property	4,790,483
Gasoline tax	3,050,000
License and permit sales	1,420,374
Fines and penalties	38,491
Interest income	412,731
Other income	594,744

Total revenues	<u>32,808,271</u>
----------------	-------------------

### Expenditures

Salaries	9,242,543
Travel	99,185
Contractuals	8,403,336
Commodities	2,039,226
Capital outlay	922,642
Subsidies	18,213,452
Cost allocation reimbursement, net	9,290

Total expenditures	<u>38,929,674</u>
--------------------	-------------------

Excess of Revenues Under Expenditures	(6,121,403)
---------------------------------------	-------------

### Other Financing Sources (Uses)

Transfers in (out), net	<u>(1,169,493)</u>
-------------------------	--------------------

Net Changes in Fund Balance	(7,290,896)
-----------------------------	-------------

Fund Balance, Beginning of Year	<u>37,086,599</u>
---------------------------------	-------------------

Fund Balance, End of Year	<u><u>\$ 29,795,703</u></u>
---------------------------	-----------------------------

**Mississippi Department of Marine Resources**  
**Notes to Financial Statements of Treasury Governmental Fund**  
**June 30, 2017**

**Note 1: Significant Accounting Policies**

***Background Information***

Mississippi Department of Marine Resources (MDMR), an agency of the State of Mississippi, utilizes a single treasury governmental fund for external financial reporting. It utilizes 11 different internal funds at present with different uses of funds.

- A. **Appropriations Fund or General Fund** (Fund 2245000000): This fund receives appropriations each year from the Legislature.
- B. **Seafood Fund** (Fund 3345000000): This fund accounts for operating funds supporting a majority of MDMR operations that are not funded by federal grants. Funding sources include off-road fuel taxes, nonfederal grants, contracts, license sales, permitting, etc.). This fund also holds the balances of MDMR's "Obligated Funds," which are received for specific legislative or contractual purposes that are restricted only for those uses (examples include Coastal Preservation, Shell Retention and Artificial Reef).
- C. **Tidelands Trust Fund** (Fund 3345200000): This fund is used to account for the lease of Mississippi water bottoms.
- D. **MDMR Federal Clearing Fund** (Fund 5345000000): This is a reimbursable fund set up to recover any funds spent on federal grants. The only grant programs that are included in this fund are those which are pure reimbursement programs, thus facilitating the reconciliation of the account and creating improved transparency of the status of reimbursements from the federal government. Funds that are not true federal grants or reimbursements are contained in the Seafood Fund.
- E. **BP Oil Spill 2010 Fund** (Fund 5349B00000): These funds are the residual funds remaining from the block grants that we received from BP immediately after the oil spill of 2010. The balance of this fund was transferred into the Seafood Fund during fiscal year 2015.
- F. **Bond Funds** (Funds 6349A00000, 6349C00000, 6344900000, 6349H00000 and 6349000100): These funds hold proceeds from state bond issuances. MDMR makes twice annual repayments to the Office of the State Treasurer out of the Tidelands Trust Fund for these bond obligations. These bond payments are classified as transfers in the accompanying financial statements. Per the bond agreements, the monies "shall be disbursed, in the discretion of the department, to provide funds to purchase real property and pay the cost of administration and personnel expenses, necessary equipment and repairs, renovation and construction of facilities necessary for the improvement of the marine resources of the state; however, operational expenses authorized to be paid under this act shall not exceed three percent (3%) of the total amount of bonds issued under this act."

# **Mississippi Department of Marine Resources**

## **Notes to Financial Statements of Treasury Governmental Fund**

### **June 30, 2017**

- G. **NFWF Fund** (Fund 5345100000): This fund was instated during fiscal year 2015 to capture revenues and expenditures from projects related to the BP Oil Spill Settlement, which was settled in 2015 for distribution to the Gulf States. This money was awarded from British Petroleum to the National Fish and Wildlife Foundation, who awarded funds to the Mississippi Department of Environmental Quality, who then awarded funds to MDMR. These funds were to be used in two categories: Economic Development and Restoration Efforts.
- H. **Budget Contingency Fund** (Fund 6134500000): This fund was instated during fiscal year 2017 by MDMR to capture special funds received from the State of Mississippi's Budget Contingency Fund.

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

#### ***Basis of Presentation***

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

#### ***Account Classifications***

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

#### ***Fund Accounting***

The financial activities of the treasury governmental fund are recorded internally in individual funds and account groups used to report financial position and changes in financial position. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

#### ***Basis of Accounting/Masurement Focus***

The treasury governmental fund 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

# **Mississippi Department of Marine Resources**

## **Notes to Financial Statements of Treasury Governmental Fund**

### **June 30, 2017**

basis of accounting is utilized. Under this method, revenues are recognized when they become measurable and available, and expenditures are recognized at the time liabilities are incurred.

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

Cash includes cash on hand and demand deposits. All short-term, highly liquid investments that are readily convertible to cash (generally with a maturity of three months or less) are considered cash equivalents. At June 30, 2017, there were no cash equivalents.

#### ***Interfund Receivables/Payables***

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

#### ***Fund Balance***

The fund balance for MDMR’s governmental type fund can be displayed in five components.

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

**Mississippi Department of Marine Resources**  
**Notes to Financial Statements of Treasury Governmental Fund**  
**June 30, 2017**

- ***Unassigned*** – The residual classification for the General Fund includes all amounts not contained in the other classifications. The unassigned classification is also used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

**Note 2: Cash and Other Deposits**

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDMR's deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Note 3: Interfund Receivables, Payables and Transfers**

All interfund receivables and payables at June 30, 2017, were due to or due from funds of other agencies of the State of Mississippi outside of MDMR.

For the year ended June 30, 2017, all interfund transfers were transferred to funds of other agencies of the State of Mississippi outside of MDMR.

**Note 4: Defined Benefit Pension Plan**

MDMR participates in the Public Employees' Retirement System of Mississippi (PERS) a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS.

**Mississippi Department of Marine Resources**  
**Notes to Financial Statements of Treasury Governmental Fund**  
**June 30, 2017**

During fiscal year 2017, PERS members were required to contribute 9% of their annual covered salary, and MDMR is required to contribute at an actuarially determined rate, which was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. MDMR's contributions are made at the agency level; therefore, information is not available on contributions by specific funds.

**Note 5: Contingencies**

***Litigation***

In the normal course of business, MDMR is, from time to time, subject to allegations that may or do result in litigation. MDMR evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. No estimate for loss is recorded at June 30, 2017.

## **Supplementary Information**

**Mississippi Department of Marine Resources**  
**Combining Balance Sheet of Treasury Governmental Fund**  
**June 30, 2017**

	General 2245000000	Ser 06D DMR - Equipment and Facilities 6344900000	Seafood 3345000000	Tidelands Trust 3345200000	Bond Equipment 6349A00000	BP Oil Spill 2010 5349B00000	Ser 11A DMR Equipment and Facilities 6349C00000	MDMR Federal Clearing 5345000000	DMR Bond Proceeds 2012H 6349H00000	DMR Bond Proceeds 2015F 6349000100	NFWF 5345100000	BC Fund Projects Fund 6134500000	Total
<b>Assets</b>													
Cash	\$ 119	\$ -	\$ 5,100,256	\$ 22,808,145	\$ -	\$ -	\$ 18	\$ -	\$ 107,239	\$ 5,150,848	\$ -	\$ -	\$ 33,166,625
Receivables	-	-	348,997	-	-	-	-	-	-	-	-	-	348,997
Due from other governments	-	-	191,050	-	-	-	-	1,618,094	-	-	1,410,068	-	3,219,212
Due from other funds	-	-	149,449	8,447	-	-	-	-	-	1,899	220,979	-	380,774
Total assets	\$ 119	\$ -	\$ 5,789,752	\$ 22,816,592	\$ -	\$ -	\$ 18	\$ 1,618,094	\$ 107,239	\$ 5,152,747	\$ 1,631,047	\$ -	\$ 37,115,608
<b>Liabilities and Fund Balance</b>													
<b>Liabilities</b>													
Accounts payable	\$ 121	\$ -	\$ 522,156	\$ 336,726	\$ -	\$ -	\$ 24,888	\$ 388,420	\$ 54,334	318,894	\$ 66,472	\$ -	\$ 1,712,011
Cash payments in excess of available balance	-	-	-	-	-	-	-	1,046,044	-	-	214,856	-	1,260,900
Due to other funds	-	-	37,408	-	-	-	-	10	-	-	-	-	37,418
Due to other governments	-	-	6,394	1,722,022	-	-	-	171,438	-	-	1,335,187	-	3,235,041
Funds held for others	-	-	20,397	-	-	-	-	-	-	-	-	-	20,397
Unearned federal revenues	-	-	-	-	-	-	-	1,054,138	-	-	-	-	1,054,138
Total liabilities	121	-	586,355	2,058,748	-	-	24,888	2,660,050	54,334	318,894	1,616,515	-	7,319,905
<b>Fund Balance</b>													
Restricted for Marine Resources	-	-	5,203,397	20,757,844	-	-	-	-	52,905	4,833,853	14,532	-	30,862,531
Unassigned	(2)	-	-	-	-	-	(24,870)	(1,041,956)	-	-	-	-	(1,066,828)
Total fund balance	(2)	-	5,203,397	20,757,844	-	-	(24,870)	(1,041,956)	52,905	4,833,853	14,532	-	29,795,703
Total liabilities and fund balance	\$ 119	\$ -	\$ 5,789,752	\$ 22,816,592	\$ -	\$ -	\$ 18	\$ 1,618,094	\$ 107,239	\$ 5,152,747	\$ 1,631,047	\$ -	\$ 37,115,608



**Mississippi Department of Marine Resources**  
**Combining Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Treasury Governmental Fund**  
**Year Ended June 30, 2017**

	General 2245000000	Ser 06D DMR - Equipment and Facilities 6344900000	Seafood 3345000000	Tidelands Trust 3345200000	Bond Equipment 6349A00000	BP Oil Spill 2010 5349B00000	Ser 11A DMR Equipment and Facilities 6349C00000	MDMR Federal Clearing 5345000000	DMR Bond Proceeds 2012H 6349H00000	DMR Bond Proceeds 2015F 6349000100	NFWF 5345100000	BC Fund Projects Fund 6134500000	Total
<b>Revenues</b>													
State appropriation/allotment	\$ 965,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,883,435	\$ 3,849,357
Federal grant revenue	-	-	-	-	-	-	-	15,218,467	-	-	-	-	15,218,467
Other grant or contractual revenues	-	-	1,933,494	-	-	-	-	250	-	-	1,499,880	-	3,433,624
Rental of state property	-	-	-	4,790,483	-	-	-	-	-	-	-	-	4,790,483
Gasoline tax	-	-	3,050,000	-	-	-	-	-	-	-	-	-	3,050,000
License and permit sales	-	-	1,420,286	-	-	-	-	88	-	-	-	-	1,420,374
Fines and penalties	-	-	38,491	-	-	-	-	-	-	-	-	-	38,491
Interest income	-	-	76,817	255,496	-	-	18	-	8,118	72,282	-	-	412,731
Other income	-	-	368,859	9,744	-	-	-	216,141	-	-	-	-	594,744
<b>Total revenues</b>	<b>965,922</b>	<b>-</b>	<b>6,887,947</b>	<b>5,055,723</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>15,434,946</b>	<b>8,118</b>	<b>72,282</b>	<b>1,499,880</b>	<b>2,883,435</b>	<b>32,808,271</b>
<b>Expenditures</b>													
Salaries	965,924	-	5,618,461	887,555	-	-	-	1,722,451	-	-	48,152	-	9,242,543
Travel	-	-	55,990	19,382	-	-	-	23,813	-	-	-	-	99,185
Contractuals	-	-	1,629,048	1,108,692	-	-	-	1,732,316	292,722	318,894	467,063	2,854,601	8,403,336
Commodities	-	-	704,218	260,615	-	-	418	1,007,118	52,895	-	13,962	-	2,039,226
Capital outlay	-	-	427,591	121,850	-	-	-	112,772	260,429	-	-	-	922,642
Subsidies	-	-	94,578	5,462,047	-	-	-	9,685,669	248,266	1,639,535	1,083,357	-	18,213,452
Cost allocation reimbursement, net	-	-	(344,015)	-	-	-	-	450,757	-	-	(126,286)	28,834	9,290
<b>Total expenditures</b>	<b>965,924</b>	<b>-</b>	<b>8,185,871</b>	<b>7,860,141</b>	<b>-</b>	<b>-</b>	<b>418</b>	<b>14,734,896</b>	<b>854,312</b>	<b>1,958,429</b>	<b>1,486,248</b>	<b>2,883,435</b>	<b>38,929,674</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2)</b>	<b>-</b>	<b>(1,297,924)</b>	<b>(2,804,418)</b>	<b>-</b>	<b>-</b>	<b>(400)</b>	<b>700,050</b>	<b>(846,194)</b>	<b>(1,886,147)</b>	<b>13,632</b>	<b>-</b>	<b>(6,121,403)</b>
<b>Other Financing Sources (Uses)</b>													
Transfers in (out), net	-	-	(22,027)	(1,091,259)	-	-	(4,088)	-	(18,065)	(34,054)	-	-	(1,169,493)
<b>Net Changes in Fund Balance</b>	<b>(2)</b>	<b>-</b>	<b>(1,319,951)</b>	<b>(3,895,677)</b>	<b>-</b>	<b>-</b>	<b>(4,488)</b>	<b>700,050</b>	<b>(864,259)</b>	<b>(1,920,201)</b>	<b>13,632</b>	<b>-</b>	<b>(7,290,896)</b>
<b>Fund Balance, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>6,523,348</b>	<b>24,653,521</b>	<b>-</b>	<b>-</b>	<b>(20,382)</b>	<b>(1,742,006)</b>	<b>917,164</b>	<b>6,754,054</b>	<b>900</b>	<b>-</b>	<b>37,086,599</b>
<b>Fund Balance, End of Year</b>	<b>\$ (2)</b>	<b>\$ -</b>	<b>\$ 5,203,397</b>	<b>\$ 20,757,844</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (24,870)</b>	<b>\$ (1,041,956)</b>	<b>\$ 52,905</b>	<b>\$ 4,833,853</b>	<b>\$ 14,532</b>	<b>\$ -</b>	<b>\$ 29,795,703</b>

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance  
With Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the treasury governmental fund of the Mississippi Department of Marine Resources (MDMR), which are comprised of a balance sheet as of June 30, 2017, and a statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2017, which contained an *Emphasis of Matter* paragraph regarding the entity reflected in the financial statements and an *Other Matter* paragraph regarding the omission of management's discussion and analysis.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses 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.

Mr. Jamie M. Miller  
Executive Director  
Mississippi Department of Marine Resources  
Page 14

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether MDMR's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

We noted certain matters that we reported to MDMR's management in a separate letter dated December 7, 2017.

### ***Purpose of this Report***

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

*BKD, LLP*

Jackson, Mississippi  
December 7, 2017

# **Mississippi Department of Marine Resources**

Independent Auditor's Report and  
Schedule of Analysis of Changes in Accrued Compensated Absences  
June 30, 2017



# Mississippi Department of Marine Resources

June 30, 2017

## Contents

<b>Independent Auditor's Report.....</b>	<b>1</b>
--	----------

### **Financial Statement**

Schedule of Analysis of Changes in Accrued Compensated Absences.....	3
--	---

Note to Schedule of Analysis of Changes in Accrued Compensated Absences .....	4
---	---

<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>.....</b>	<b>6</b>
---	----------

## Independent Auditor's Report

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

### Report on the Schedule

We have audited the accompanying schedule of analysis of changes in accrued compensated absences (the Schedule) of the Mississippi Department of Marine Resources (MDMR) for the year ended June 30, 2017, and the related note to the Schedule.

### *Management's Responsibility for the Schedule*

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 the Schedule that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the 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.

Mr. Jamie M. Miller  
Executive Director  
Mississippi Department of Marine Resources  
Page 2

***Opinion***

In our opinion, the Schedule referred to above presents fairly, in all material respects, the changes in accrued compensated absences of MDMR for the year ended June 30, 2017, 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 December 7, 2017, on our consideration of MDMR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDMR's internal control over financial reporting and compliance.

*BKD, LLP*

Jackson, Mississippi  
December 7, 2017

**Mississippi Department of Marine Resources**  
**Schedule of Analysis of Changes in Accrued Compensated Absences**  
**Year Ended June 30, 2017**

	<b>Balance as of June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance as of June 30, 2017</b>
Accrued compensated absences	<u>\$ 795,084</u>	<u>\$ 585,160</u>	<u>\$ (543,243)</u>	<u>\$ 837,001</u>



**Mississippi Department of Marine Resources**  
**Note to Schedule of Analysis of Changes in Accrued Compensated Absences**  
**June 30, 2017**

**Note 1: Summary of Significant Accounting Policies**

***Background Information***

Mississippi Department of Marine Resources (MDMR), an agency of the State of Mississippi, utilizes a single treasury governmental fund for external financial reporting. The schedule of analysis of changes in accrued compensated absences (the Schedule) of MDMR was selected for audit by the State of Mississippi, Office of the State Auditor, and the accompanying presentation does not purport to present the fund balance and changes in fund balance of MDMR.

***Basis of Presentation***

The accompanying Schedule has been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

***Account Classifications***

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

***Accrued 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. 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.

State law also authorizes the accumulation of additional compensated absences through compensatory time when an employee is required to perform his or her duties in excess of the established work cycle or on official state holidays. The established work cycle for exempt employees and certain nonexempt employees is defined as a 40-hour week. For other nonexempt employees, the established work cycle is 160 hours in a 28-day cycle. Based on the number of hours worked and the exempt status of the employee, compensatory time is accumulated as either agency compensatory leave time, Fair Labor Standards Act (FLSA) leave time or holiday leave time. The State's obligation for accumulated unpaid FLSA leave time, up to the maximum of 240

**Mississippi Department of Marine Resources**  
**Note to Schedule of Analysis of Changes in Accrued Compensated Absences**  
**June 30, 2017**

hours or 480 hours depending on established work cycle, is payable in a lump sum upon termination of employment and is reported as “accrued compensated absences” in the accompanying Schedule. The State’s obligation for agency compensatory leave time is only recorded to the extent future expected use is probable, as it is not payable in a lump sum upon termination of employment. 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.

***Use of Estimates***

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

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance  
With Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the schedule of analysis of changes in accrued compensated absences (the Schedule) of the Mississippi Department of Marine Resources (MDMR) for the year ended June 30, 2017, and have issued our report thereon dated December 7, 2017.

***Internal Control Over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MDMR's 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 the 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.

Mr. Jamie M. Miller  
Executive Director  
Mississippi Department of Marine Resources  
Page 7

### ***Compliance***

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

*BKD, LLP*

Jackson, Mississippi  
December 7, 2017