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State of Mississippi Department of Public Safety

FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT

June 30, 2018



State of Mississippi Department of Public Safety Table of Contents June 30, 2018

REPORT Independent Auditors' Report	1
FINANCIAL STATEMENTS OF FUNDS SELECTED FOR AUDIT	
Balance Sheets	4
Statements of Revenues, Expenses, and Changes in Fund Balance	5
Notes to Financial Statements of 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 Government Auditing Standards	12



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INDEPENDENT AUDITORS' REPORT

Commissioner Marshall L. Fisher State of Mississippi Department of Public Safety Jackson, Mississippi

Report on the Financial Statements of Funds Selected for Audit

We have audited the accompanying financial statements of the State Treasury Funds 227110000, and 3371600000 of the State of Mississippi, Department of Public Safety (the "Department"), which are comprised of balance sheets as of June 30, 2018, and statements of revenues, expenditures and changes in fund balances for the year then ended, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the State Treasury Funds 2271100000, and 3371600000 of the State of Mississippi, Department of Public Safety as of June 30, 2018, and the respective 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 present only the financial position and results of operations of State Treasury Funds 2271100000, and 3371600000 as selected for audit by the State of Mississippi, Office of the State Auditor and do not purport to, and do not present fairly the financial position of the State of Mississippi, Department of Public Safety as of June 30, 2018, or the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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 contest. Our opinions on the financial statements are 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 2, 2019, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grantagreements 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 Departments internal control over financial reporting and compliance.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi January 2, 2019

State of Mississippi Department of Public Safety Balance Sheets of Funds Selected for Audit

	Governmental Fund Type			
				Driver
	(General		Service
		Fund	Fe	es Funds
June 30, 2018	22	71100000	33	71600000
Assets				
Cash	\$	143,808	\$	1,297,573
Accounts receivable		-		1,337,280
Due from other funds				2,138,930
Inventory				1,061,773
Other receivables				3,000
Total Assets	\$	143,808	Ś	5,838,556
Total Missets		1 10,000	_	3,000,000
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$	136,827	\$	1,522,071
Due to local governments		-		9,979
Due to other funds		8,520		828,572
Total Liabilities		145,347		2,360,622
Fund Balances				
Unassigned (deficit)		(1,539)		
Nonspendable - inventories		-		1,061,773
Restricted for law enforcement		-		2,416,161
Total Fund Balances		(1,539)		3,477,934
Total Liabilities and Fund Balances	\$	143,808	\$	5,838,556

State of Mississippi Department of Public Safety Statement of Revenues, Expenses, and Changes in Fund Balance of Funds Selected for Audit

	Governmental Fund Type_	
Year ended June 30, 2018	General Fund 2271100000	Driver Service Fees Funds 3371600000
Revenues		
Licenses, fees and permits	\$ -	\$ 7,321,786
Highway safety patrol fees	-	101
Charges for supplies/services to outside entities		61,534
State appropriation	58,308,061	-
Sales of personal property	-	213,471
Insurance recovery	-	58,408
Other income, net		11,179
Total Revenues	58,308,061	7,666,479
Expenditures		
Salaries and wages	52,707,658	7,083,476
Travel	24,585	295,244
Contractuals	•	•
	3,889,109	6,626,005
Commodities	757,260	4,965,837
<u>Capital outlay</u>	924,811	301,938
Total Expenditures	58,303,423	19,272,500
Excess of Revenues Over (Under)		
Expenditures	4,638	(11,606,021)
Other Financing Sources (Uses)		
Transfers in	-	12,407,694
Transfers out	-	(1,934,074)
		10,473,620
Net Change in Fund Balances	4,638	(1,132,401)
Fund Balances, Beginning of Year	(6,177)	4,610,335
Fund Balances, End of Year	\$ (1,539)	\$ 3,477,934

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying selected fund financial statements of the Mississippi Department of Public Safety (the "Department") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The Department applies all applicable GASB pronouncements.

Background Information

The State of Mississippi Department of Public Safety, an agency of the State of Mississippi, follows fund accounting with respect to the Department funds and pursuant to applicable state statutes. The Driver Service Fees Fund is used by the Department to account for revenues and fees related to driver's license issuances and other driver service fees. Revenues generated from this fund are used to defray the operating costs of the Division of Highway Safety Patrol and to cover costs associated with generating photo licenses. The General Fund receives and expends appropriations each year from the State of Mississippi.

These funds represent funds 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 the Department.

Measurement Focus and Basis of Accounting

Both funds selected for audit are presented as governmental general fund types. Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The Department considers revenues received within 60 days after fiscal year-end as available. Significant revenue sources that are susceptible to accrual include federal grants. Other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, there were no cash equivalents.

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

Accounts Receivable

Accounts receivable consist of amounts billed by a third party related to public searches of motor vehicle registrations. Accounts receivable are reported net of allowances for uncollectible accounts, where applicable based upon a review of outstanding receivables historical collection information and existing economic conditions. No allowance for uncollectible accounts is recorded at June 30, 2018.

Inventories

Inventories consist of office materials, cleaning supplies, clothing, motor vehicle operating supplies and communication supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Governmental Funds

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions provides fund balance categories to make the nature and extent of the constraint placed on a government's fund balances more transparent.

The classifications used in the selected governmental fund financial statements are based on the following methodology:

- 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 State of Mississippi Legislature.
- Unassigned Amount of residual net resources. Excess of nonspendable, restricted and committed fund balance over total fund balance (i.e., deficit).

The Department considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Deficit Fund Balance -As of June 30, 2018, a fund of the Department was in a deficit net position. The deficit net position in the fund will be funded by either an interfund transfer from a fund with positive net position or future appropriations.

Subsequent Events

In connection with the preparation of the financial statements, management of the Department has evaluated subsequent events through January 2, 2019, which is the date the financial statements were available to be issued.

NOTE 2: DEPOSITS

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

Section 27-105-5, Mississippi Code Ann. (1972), establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutorily required 5.5% primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105% of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the state's interests.

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

NOTE 3: DEFINED BENEFIT PENSION PLAN

The Department contributes to 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.

That information may be obtained by writing to PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

PERS members are required to contribute 9.00% of their annual covered salary and the Department is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The Mississippi Highway Safety Patrol contribution rates are 7.25% for the troopers and the Department's contribution rate is 37% for June 30, 2018. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

NOTE 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2018, are as follows:

	Due fr	om Fund	
June 30, 2018	2271100000	3371600000	
Due from funds within the Department	\$ -	\$ 2,138,930	
Totals	\$ -	\$ 2,138,930	
	Due t	Due to Fund	
June 30, 2018	2271100000	3371600000	
Due to funds within the Department	\$ 8,520	\$ 828,572	
Totals	\$ 8,520	\$ 828,572	

Due to/from other funds result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made. All balances are expected to be received or paid during fiscal year 2019.

Interfund transfers for the year ended June 30, 2018, are as follows:

	Transfers	from Fund	
June 30, 2018	2271100000	3371600000	
Transfers within the Department Funds	\$ -	\$ 1,934,074	
Totals	\$ -	\$ 1,934,074	
	Transfers to Fund		
June 30, 2018	2271100000	3371600000	
Transfers within the Department Funds	\$ -	\$ 12,407,694	
Totals	\$ -	\$ 12,407,694	

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

NOTE 5: CONTINGENCIES

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



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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

Commissioner Marshall L. Fisher State of Mississippi Department of Public Safety Jackson, 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 State Treasury funds selected for audit consisting of funds 227110000, and 3371600000 of the State of Mississippi, Department of Public Safety, (the "Department") which are comprised of balance sheets as of June 30, 2018, and statements of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2019, 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 the Department is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audits of the financial statements, we considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Departments 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 the Departments 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CARR, RIGGS & INGRAM, LLC

Can Rigge & Ingraw, L.L.C.

Ridgeland, Mississippi January 2, 2019