



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.

**FINANCIAL STATEMENTS OF SELECTED FUNDS
OF THE
STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS OF SELECTED FUNDS	
Balance Sheets.....	3
Statements of Revenues, Expenditures, and Changes in Funds Balance	4
Notes to Financial Statements	5
INDEPENDENT AUDITORS' REPORT	
SCHEDULE OF CHANGES IN LOANS RECEIVABLE	12
Schedule of Changes in Loans Receivable	14
Notes to Schedule of Changes in Loans Receivable.....	15



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the selected funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100 of the Mississippi Development Authority (MDA), as of and for the year ended June 30, 2019, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report (CAFR).

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 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100 of MDA as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Financial Statement Presentation

As discussed in Note 1, the financial statements of funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100 of MDA present only the financial position and changes in financial position of that portion of the governmental activities of the selected funds of MDA and the State of Mississippi that is attributable to the transactions of funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100. They do not purport to, and do not, present fairly the financial position of MDA or the State of Mississippi as of June 30, 2019, 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 opinions are not modified with respect to this matter.

Emphasis of Matter - Correction of an Accounting Error

As described in Note-6 to the financial statements, MDA corrected an accounting error related to loan receivables. The correction of the error resulted in a restatement of beginning fund balance for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000. Our opinion is not modified with respect to this matter.

Other Matter

Management has omitted the Management 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 the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2019 on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MDA's 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 18, 2019

FINANCIAL STATEMENTS

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
BALANCE SHEETS
June 30, 2019**

	<u>Fund 334AF00000</u>	<u>Fund 3341R00000</u>	<u>Fund 5341W00000</u>	<u>Fund 634AE00000</u>	<u>Fund 2241100000</u>	<u>Fund 6345216100</u>	<u>Fund 634RZ00000</u>	<u>Fund 634KE00000</u>	<u>Fund 6340900000</u>	<u>Total</u>
Assets:										
Equity in State Treasury Funds	\$ 3,607,170	\$ 3,431,456	\$ -	\$ 46,132,723	\$ 1,337,242	\$ -	\$ 2,049,956	\$ 23,478,958	\$ -	\$ 80,037,505
Loan Receivables, net	-	69,146,452	3,502,869	57,099,552	-	-	8,973,734	43,730,070	-	182,452,677
Due From Federal Government	-	-	5,614,494	-	4,263	-	-	-	-	5,618,757
Due From State Government	-	-	-	2,009,278	-	-	-	-	-	2,009,278
Due From Other State Funds	1,943	1,826	1,073,100	24,845	-	-	1,101	12,605	-	1,115,420
Other Receivables	-	9,782	47,754	408,228	-	-	1,245	82,752	-	549,761
	<u>-</u>	<u>9,782</u>	<u>47,754</u>	<u>408,228</u>	<u>-</u>	<u>-</u>	<u>1,245</u>	<u>82,752</u>	<u>-</u>	<u>549,761</u>
 Total Assets	<u>\$ 3,609,113</u>	<u>\$ 72,589,516</u>	<u>\$ 10,238,217</u>	<u>\$ 105,674,626</u>	<u>\$ 1,341,505</u>	<u>\$ -</u>	<u>\$ 11,026,036</u>	<u>\$ 67,304,385</u>	<u>\$ -</u>	<u>\$ 271,783,398</u>
 Liabilities and Fund Balances:										
Due to Equity in State Treasury Funds	\$ -	\$ -	\$ 1,935,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935,000
Accounts payable	-	-	2,050,390	-	663,134	-	-	-	-	2,713,524
Warrants Payable	-	200,000	3,667	-	83,249	-	-	-	-	286,916
Due To Other Governments	-	-	1,478,099	-	59,425	-	-	-	-	1,537,524
Due To Other State Funds	-	-	1,735,951	-	50,905	-	-	45,145	-	1,832,001
Unearned revenue	-	-	129,355	-	-	-	-	-	-	129,355
Other Liabilities	-	-	176	-	-	-	-	-	-	176
	<u>-</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176</u>
Total Liabilities	<u>-</u>	<u>200,000</u>	<u>7,332,638</u>	<u>-</u>	<u>856,713</u>	<u>-</u>	<u>-</u>	<u>45,145</u>	<u>-</u>	<u>8,434,496</u>
 Fund Balances:										
Restricted	<u>3,609,113</u>	<u>72,389,516</u>	<u>2,905,579</u>	<u>105,674,626</u>	<u>484,792</u>	<u>-</u>	<u>11,026,036</u>	<u>67,259,240</u>	<u>-</u>	<u>263,348,902</u>
 Total Liabilities and Fund Balance	<u>\$ 3,609,113</u>	<u>\$ 72,589,516</u>	<u>\$ 10,238,217</u>	<u>\$ 105,674,626</u>	<u>\$ 1,341,505</u>	<u>\$ -</u>	<u>\$ 11,026,036</u>	<u>\$ 67,304,385</u>	<u>\$ -</u>	<u>\$ 271,783,398</u>

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2019**

	Fund 334AF00000	Fund 3341R00000	Fund 5341W00000	Fund 634AE00000	Fund 2241100000	Fund 6345216100	Fund 634RZ00000	Fund 634KE00000	Fund 6340900000	Total
Revenues:										
Federal grant	\$ -	\$ -	\$ 46,162,998	\$ -	\$ -	\$ -	\$ -	\$ 705	\$ -	\$ 46,163,703
Loan Repayments	-	-	-	-	-	-	-	-	-	-
Interest income	52,594	42,620	-	5,525,098	-	-	35,557	1,137,447	84	6,793,400
Other income	8,665,914	1,567	6,153,695	-	-	-	-	1,688,685	-	16,509,861
Total Revenues	8,718,508	44,187	52,316,693	5,525,098	-	-	35,557	2,826,837	84	69,466,964
Expenditures:										
Subsidies	8,203,080	-	(8,456,409)	4,920,351	1,102,392	2,284,978	-	-	-	8,054,392
Salaries and Benefits	-	-	1,283,949	-	11,100,408	-	-	-	-	12,384,357
Travel	-	-	39,931	-	613,752	-	-	-	-	653,683
Contractual Services	-	-	3,691,176	-	5,522,285	-	-	-	-	9,213,461
Commodities	-	-	4,089	-	508,599	-	-	-	-	512,688
Capital Outlay	-	-	-	-	74,919	-	-	-	-	74,919
Total Expenditures	8,203,080	-	(3,437,264)	4,920,351	18,922,355	2,284,978	-	-	-	30,893,500
Excess (Deficiency) of Revenues over (under) Expenditures	515,428	44,187	55,753,957	604,747	(18,922,355)	(2,284,978)	35,557	2,826,837	84	38,573,464
Other Financing Sources (Uses):										
Indirect Cost	-	-	(613,283)	-	(16,602)	-	-	-	-	(629,885)
Transfers in	-	-	37,306,505	4,428,006	19,482,351	-	2,358,349	8,711	-	63,583,922
Transfers (out)	-	-	(60,743,851)	(4,428,006)	(502,700)	-	-	(8,711)	(7,467)	(65,690,735)
Total Financing Sources (Uses)	-	-	(24,050,629)	-	18,963,049	-	2,358,349	-	(7,467)	(2,736,698)
Total Expenditures and Financing Sources (Uses)	515,428	44,187	31,703,328	604,747	40,694	(2,284,978)	2,393,906	2,826,837	(7,383)	35,836,766
Net Change in Fund Balances	515,428	44,187	31,703,328	604,747	40,694	(2,284,978)	2,393,906	2,826,837	(7,383)	35,836,766
Fund Balances, Beginning of Year	3,093,685	4,413,379	(32,790,708)	44,702,079	444,098	2,284,978	1,558,069	20,253,126	7,383	43,966,089
Prior Period adjustment	-	67,931,950	3,992,959	60,367,800	-	-	7,074,061	44,179,277	-	183,546,047
Restated Fund Balances, Beginning of Year	3,093,685	72,345,329	(28,797,749)	105,069,879	444,098	2,284,978	8,632,130	64,432,403	7,383	227,512,136
Fund Balances, End of Year	\$ 3,609,113	\$ 72,389,516	\$ 2,905,579	\$ 105,674,626	\$ 484,792	\$ -	\$ 11,026,036	\$ 67,259,240	\$ -	263,348,902

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 1 – SUMMARY OF 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. MDA 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, MDA provides Mississippi's corporate citizens with export assistance, manages the state's energy programs and oversees programs that help its communities become more competitive. MDA works to promote tourism to the state and develop and support Mississippi's tourism industry. MDA is also responsible for managing federal disaster recovery funds, economic stimulus funds and other federal programs for the State of Mississippi.

Financial Reporting Entity

MDA is a state agency included in the State of Mississippi's Comprehensive Annual Financial Report. The selected governmental funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of the Mississippi Development Authority.

Purpose of General Funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100

Fund 2241100000 - *MDA Supplementary General Fund* is the state appropriated general fund used to record MDA's administrative expenses, cost share match for federal grants, and miscellaneous grant payments.

Fund 634AE00000 - *Industry Incentive Financing Fund* is a revolving loan fund issuing loans and receiving repayments related to loans for economic development.

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

Fund 3341R00000- *Agribusiness Enterprise Loan Program*, 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 634RZ00000- *Freight Rail Service* supports railroad projects that promote economic growth and job creation.

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Fund 63400000 Ingalls Shipyard is a bond fund created to finance capital improvements at the Ingalls Shipyard in order to modernize and keep it competitive with other shipyards.

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

Fund 634KE00000 Capital Improvement Revolving Loan Program is a tax-exempt bond fund for the capital improvement 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.

Basis of Presentation

The accompanying fund financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposit accounts and equity in State Treasury Funds. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the State of Mississippi.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDAs' 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 State of Mississippi 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.

Loans Receivables

Loan receivables are reported net an of allowance for uncollectible accounts, where applicable. As of June 30, 2019, loan receivables reported for the funds selected for audit were \$182,452,677, net of an allowance for uncollectible of \$154,717,683.

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Classifications

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

Fund Accounting

The financial activities of the funds audited are recorded in individual funds 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/Measurement Focus

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are both measurable and available to finance expenditures of the current period. Management considers revenue to be available if collected within 60 days. Expenditures are recorded when a liability is incurred.

Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires MDA 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 period. Actual results could differ from those estimates.

Revenue Recognition

Grant revenue is recognized when the related and allowable liability is paid. Other revenues in the funds are generally recognized when the revenue is received or appropriated by the State of Mississippi Legislature.

Unearned Revenue

Unearned revenue represents grant revenue received prior to all eligibility requirements being met. Unearned revenue is reported as a liability until the eligibility requirements are met.

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

MDA is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors 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.

Fund Balances – Governmental Funds

MDA presents defined fund balance categories to demonstrate the nature and extent of the constraint placed on the selected funds' fund balances. The classifications used in the selected governmental funds financial statements are based on the following methodology:

Unassigned – The residual classification for the general fund and 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 amount had been restricted, committed or assigned.

Nonspendable – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that may only be spent 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 – This classification includes amounts that can be used only for the specific purposes determined by enabling legislations by the State legislature.

MDA considers restricted amounts to have been spent when the expenditure is incurred for purposes determined for which both restricted and unrestricted fund balances are available.

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers received from other funds are reported as Other Financing Sources rather than revenue, and interfund transfers sent to other funds are recorded as Other Financing Uses. In the selected governmental funds 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.

As of June 30, 2019, Fund transfers consisted of:

Fund 5341W00000

Description	Transfers In
Department Finance and Administration- reclass	\$ 37,306,505
	<u> </u>
	Transfers Out
Other State Governments- subrecipients disbursements	\$ 60,743,851
	<u> </u>

Fund 634AE000000

Description	Transfers In
Department Finance and Administration	\$ 4,228,006
	<u> </u>
	Transfers Out
Department Finance and Administration- vendor disbursements	\$ 4,418,121
Other Agency funds - pooled interest	9,885
	<u> </u>
	<u> </u>

Fund 2241100000

Description	Transfers In
Other Governments- payments	\$ 500,289
Department Finance and Administration- adjust cash	18,982,062
Total	<u> </u>
	<u> </u>
	Transfers Out
Other State Governments- sub grantee disbursements	\$ 500,000
Other State Agency- Office of the State Auditor	2,700
	<u> </u>
	<u> </u>

Fund 634RZ00000

Description	Transfers In
Other State Governments- Rail Loan Program	
Jackson County, MS	\$ 1,750,000
Grenada County, MS	345,062
Lowndes County, MS	5,434
Lauderdale County, MS	257,853
Total	<u> </u>
	<u> </u>

Fund 634KE00000

Description	Transfers In	Transfers Out
Department Finance and Administration- adjust cash	\$ 8,711	\$ 8,711
	<u> </u>	<u> </u>

Fund 6340900000

Description	Transfers Out
Other Agency funds - pooled interest	\$ 7,647
	<u> </u>

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 3 – DUE FROM AND DUE TO

At June 30, 2019, due from and due to other governments balances consisted of:

Fund 334AF00000	Due From
Other State Funds- pooled loan Interest	\$ 1,943
Fund 3341R00000	Due From
Other State Funds- pooled loan Interest	\$ 1,826
Fund 5341W00000	Due From
Federal Government- program activity	\$ 5,614,494
Other State Governments- loan payments	3,502,869
Other Agency Funds	1,073,100
Total	\$ 10,190,463
	Due To
Other State Governments- loan disbursements	\$ 1,478,099
Other Agency Funds, net	1,735,951
Total	\$ 3,214,050
Fund 634E00000	Due From
Other State Funds	\$ 2,009,278
State Treasury- debt service	24,845
	\$ 2,034,123
Fund 2241100000	Due From
Federal Government- indirect cost allocation	\$ 4,263
	Due To
Other State Governments	\$ 59,425
Other Agency Funds	50,905
Total	\$ 110,330
Fund 634RZ00000	Due From
Other State Funds	\$ 1,101
Fund 634KE00000	Due From
Other Agency Funds- pooled interest	\$ 12,605
	Due To
Other State Governments - program activity	\$ 45,145

All amounts due to MDA are expected to be collected in fiscal year 2020.

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2019**

NOTE 4 – CONTINGENCIES AND COMMITMENTS

Litigation

MDA is party to various legal proceedings that arise in the normal course of governmental operations. If an unfavorable outcome of the litigation is determined to be likely and probable, MDA will record a liability to reflect the estimated outcome of the litigation.

NOTE 5 – RETIREMENT PLAN

MDA 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 Public Employees' Retirement System, 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 Agency is required to contribute at an actuarially determined rate. The current rate is 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. As of June 30, 2019, MDA contributed \$1,477,738 to PERS for the funds selected for audit.

NOTE 6 – CORRECTION OF AN ERROR

The prior year financial statements reported loan receivables for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE000000 based on modified accrual instead of full accrual. As a result, the total fund balance at July 1, 2018 was understated by \$183,546,047. The following is a summary of the restated beginning fund balance for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000:

	<u>Fund 3341R00000</u>	<u>Fund 5341W00000</u>	<u>Fund 634AE00000</u>	<u>Fund 634RZ00000</u>	<u>Fund 634KE00000</u>
Fund Balances, Beginning of Year	4,413,379	(32,790,708)	44,702,079	1,558,069	20,253,126
Prior Period adjustment	67,931,950	3,992,959	60,367,800	7,074,061	44,179,277
Restated Fund Balances, Beginning of Year	<u>72,345,329</u>	<u>(28,797,749)</u>	<u>105,069,879</u>	<u>8,632,130</u>	<u>64,432,403</u>



INDEPENDENT AUDITORS' REPORT

Mississippi Development Authority
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying Schedule of Changes in Loans Receivables (the Schedule) of the funds selected for audit of the Mississippi Development Authority (MDA), as of and for the year ended June 30, 2019, and the related notes to the Schedule. The 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 the 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 are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 are 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 auditors' 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 opinions.

Opinion

In our opinion, the Schedule of Changes in Loans Receivable referred to above presents fairly, in all material respects, the balance of and the changes in the loan receivable of MDA funds selected for audit as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Schedule of Changes in Loans Receivable referred to above is intended to present only the changes in loans receivable of the general funds related to the MDA funds selected for audit. MDA is an agency of the State of Mississippi. The 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 December 18, 2019, on our consideration of MDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of the effectiveness of MDA's internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 18, 2019

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
SCHEDULE OF CHANGES IN LOANS RECEIVABLE**

	Fund 3341R00000	Fund 5341W00000	Fund 634AE00000	Fund 634RZ00000	Fund 634KE00000	Total
Balance as of June 30, 2018	\$ 69,964,700	\$ 3,769,640	\$ 227,442,124	\$ 7,142,092	\$ 44,762,366	\$ 353,080,922
Additions	11,150,743	-	1,885,935	2,358,349	3,506,662	18,901,689
Payments	(11,968,991)	(266,771)	(17,510,824)	(526,707)	(4,538,958)	(34,812,251)
Balance as of June 30, 2019						
before Allowance for loss	<u>69,146,452</u>	<u>3,502,869</u>	<u>211,817,235</u>	<u>8,973,734</u>	<u>43,730,070</u>	<u>337,170,360</u>
Less: allowance for uncollectibility	<u>-</u>	<u>-</u>	<u>(154,717,683)</u>	<u>-</u>	<u>-</u>	<u>(154,717,683)</u>
Balance as of June 30, 2019						
Net Allowance for loss	<u>\$ 69,146,452</u>	<u>\$ 3,502,869</u>	<u>\$ 57,099,552</u>	<u>\$ 8,973,734</u>	<u>\$ 43,730,070</u>	<u>\$ 182,452,677</u>
Current portion of loans receivable						
Net Allowance for loss	<u>\$ 10,009,051</u>	<u>\$ 262,768</u>	<u>\$ 7,239,948</u>	<u>\$ 363,194</u>	<u>\$ 4,349,574</u>	<u>\$ 22,224,535</u>

**STATE OF MISSISSIPPI
DEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF CHANGES IN LOANS RECEIVABLE**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The presented Schedule of Changes in Loans Receivable is recorded on the full accrual basis. Governmental funds 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 assets. Accordingly, they are presented as a summary of sources and uses of “available spendable resources” during a 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 liabilities and receivables as well as long-term debt and obligations.

NOTE 2 – ALLOWANCE FOR LOSS

The allowance for loss is based on prior year’s experience and management’s analysis of possible bad debts. Accounts and loan receivable determined to be uncollectible are charge against the allowance account in the year they determined uncollectible. The allowance for loan loss as of June 30, 2019 is \$154,717,683.



**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 selected funds 334AF00000, 3341R00000, 5341W00000, 634AE0000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100 of the Mississippi Development Authority (MDA) as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report dated December 18, 2019, which contained an unmodified opinion with an Other Matter paragraph regarding the omission of management's discussion and analysis. We have also audited the Schedule of Changes in Loans Receivable (the Schedule) as of and for the year ended June 30, 2019, and the related notes to the Schedule and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the selected funds listed in the first paragraph and the Schedule, we considered MDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the selected funds and the Schedule, but not for the purpose of expressing an opinion on the effectiveness of MDA's internal control. Accordingly, we do not express an opinion on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDA's funds 334AF00000, 3341R00000, 5341W00000, 634AE00000, 2241100000, 634RZ00000, 634KE00000, 6340900000, and 6345216100 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

MDA's Response to Finding

MDA's response to the finding identified in our audit is described in the accompanying schedule of findings and costs. MDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 MDA'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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 18, 2019

**Mississippi Development Authority
Schedule of Findings and Questioned Costs
June 30, 2019**

2019-001 CORRECTION OF AN ERROR

Criteria or specific requirement:

The entity is required to establish and maintain effective internal control over financial reporting to ensure that the information is reliable and accurate.

Condition:

The prior year financial statements reported loan receivables for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000 based on modified accrual instead of full accrual. As a result the total fund balance at July 1, 2018 was understated by \$183,546,047. The following is a summary of the restated beginning fund balance for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000.

Cause:

The correction was due to an error that was not identified in a timely manner.

Effect:

The beginning fund balance for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000 was materially understated.

	Fund 3341R00000	Fund 5341W00000	Fund 634AE00000	Fund 634RZ00000	Fund 634KE00000
Fund Balances, Beginning of Year	4,413,379	(32,790,708)	44,702,079	1,558,069	20,253,126
Prior Period adjustment	67,931,950	3,992,959	60,367,800	7,074,061	44,179,277
Restated Fund Balances, Beginning of Year	<u>72,345,329</u>	<u>(28,797,749)</u>	<u>105,069,879</u>	<u>8,632,130</u>	<u>64,432,403</u>

Recommendation:

We recommend that MDA review current procedures related to the review of prepared financial statements, and enhance procedures (as deemed necessary) to ensure that the review identify errors in a timely manner.

Views of responsible officials:

Management agrees with the finding



State of Mississippi

TATE REEVES
Governor

MISSISSIPPI DEVELOPMENT AUTHORITY

February 26, 2020

FINANCIAL AUDIT FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

The Mississippi Development Authority ("MDA") has received a financial audit finding for the fiscal year 2019 audit. MDA's response to the finding is below:

AUDIT FINDINGS:

2019-017 CORRECTION OF AN ERROR- LOAN RECEIVABLES

The prior year financial statements reported loan receivables for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000 based on modified accrual instead of full accrual. As a result, the total fund balance at July 1, 2018 was understated by \$183,546,047. The following is a summary of the restated beginning fund balance for funds 3341R00000, 5341W00000, 634AE00000, 634RZ00000, and 634KE00000.

	Fund 3341R00000	Fund 5341W00000	Fund 634AE00000	Fund 634RZ00000	Fund 634KE00000
Fund Balances, Beginning of Year	4,413,379.00	(32,790,708.00)	44,702,079.00	1,558,069.00	20,253,126.00
Prior Period adjustment	<u>67,931,950.00</u>	<u>3,992,959.00</u>	<u>60,367,800.00</u>	<u>7,074,061.00</u>	<u>44,179,277.00</u>
Restated Fund Balances, Beginning of Year	<u>72,345,329.00</u>	<u>(28,797,749.00)</u>	<u>105,069,879.00</u>	<u>8,632,130.00</u>	<u>64,432,403.00</u>

Response:

MDA concurs that the loan receivables for the aforementioned funds were reported incorrectly on the Financial statements of Revenue, Expenditures and changes in Fund Balance prepared by Carr, Riggs, & Ingram and the error was not discovered by the Accounting staff at the time of the review of the Audit report.

Corrective Action Plan:


To correct this issue, the MDA has implemented additional reviews by the Grants Supervisor to help ensure that the Statements of Revenues, Expenditures and Changes in Fund Balance of General Funds selected for Audit are stated correctly in the future. The understatement of revenue at July 1, 2018 was corrected during the 2019 Audit. Supervisor and Division Director Staff ensured that the revenues reported during the current grants were true and correct and free for error.



Brian Daniel, Accounting & Finance Director

2/26/20

Date:



Michael J. McGrevey, Interim Executive Director

2/26/2020

Date