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**FINANCIAL STATEMENTS OF SELECTED FUNDS  
OF THE  
STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

Gen. Joe Spraggins  
Executive Director  
State of Mississippi, Department of Marine Resources  
Biloxi, Mississippi

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

We have audited the accompanying financial statements of the selected funds 2245000000, 5345000000, 334500000, and 334520000 of the Mississippi Department of Marine Resources (MDMR), 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 2245000000, 5345000000, 3345000000, and 3345200000 of MDMR 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***

As discussed in Note 1, the financial statements of funds 2245000000, 5345000000, 3345000000, and 3345200000 of MDMR present only the financial position and changes in financial position of that portion of the governmental activities of the selected funds of MDMR and the State of Mississippi that is attributable to the transactions of 2245000000, 5345000000, 3345000000, and 3345200000. They do not purport to, and do not, present fairly the financial position of MDMR 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.

### ***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 9, 2019, on our consideration of MDMR'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 MDMR'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 MDMR's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 9, 2019

## **FINANCIAL STATEMENTS**

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
BALANCE SHEETS  
June 30, 2019**

	<u>Fund</u> <u>2245000000</u>	<u>Fund</u> <u>5345000000</u>	<u>Fund</u> <u>3345000000</u>	<u>Fund</u> <u>3345200000</u>	<u>Total</u>
<b>Assets:</b>					
Equity in State Treasury Funds	\$ 11,870	\$ -	\$ 5,955,462	\$ 22,365,983	\$ 28,333,315
Cash and Cash Equivalents	-	-	38,582	-	38,582
Accounts Receivable	-	31,855	213,203	-	245,058
Due From Federal Government	-	1,701,417	-	-	1,701,417
Due From State Government	-	277,372	-	-	277,372
Due From Component Units	-	55,310	-	-	55,310
Due From Other State Funds	-	191,293	-	12,223	203,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 11,870</u>	<u>\$ 2,257,247</u>	<u>\$ 6,207,247</u>	<u>\$ 22,378,206</u>	<u>\$ 30,854,570</u>
<b>Liabilities and Fund Balances:</b>					
Due to Equity in State Treasury Funds	\$ -	\$ 874,826	\$ -	\$ -	\$ 874,826
Accounts Payable	-	338,258	316,296	143,239	797,793
Warrants Payable	11,870	56,354	14,268	353,340	435,832
Funds Held for Others	-	-	20,397	-	20,397
Due To Other Governments	-	16,260	48,278	922,145	986,683
Due To Other State Funds	-	69,717	22,661	500	92,878
Due To Component Units of the state	-	209,827	-	203,202	413,029
Unearned Revenue	-	294,726	-	-	294,726
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>11,870</u>	<u>1,859,968</u>	<u>421,900</u>	<u>1,622,426</u>	<u>3,916,164</u>
<b>Fund Balances:</b>					
Restricted	-	397,279	5,785,347	20,755,780	26,938,406
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 11,870</u>	<u>\$ 2,257,247</u>	<u>\$ 6,207,247</u>	<u>\$ 22,378,206</u>	<u>\$ 30,854,570</u>



**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
STATEMENTS OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2019**

	<u>Fund 2245000000</u>	<u>Fund 5345000000</u>	<u>Fund 3345000000</u>	<u>Fund 3345200000</u>	<u>Total</u>
<b>Revenues:</b>					
Federal Grant Revenue	\$ -	\$ 5,935,326	\$ -	\$ -	\$ 5,935,326
Other Grant Revenue	-	1,020,635	359,458	-	1,380,093
State Appropriation	1,065,130	-	-	-	1,065,130
Rental of State Property	-	-	-	10,000,000	10,000,000
Gas and Other Fuel Tax	-	-	3,050,000	-	3,050,000
Licenses, Fees, and Permits	-	1,243	1,182,358	2,298	1,185,899
Interest Income	-	-	123,830	439,971	563,801
Other Income	-	168,751	23,290	9,800	201,841
Total Revenues	<u>1,065,130</u>	<u>7,125,955</u>	<u>4,738,936</u>	<u>10,452,069</u>	<u>23,382,090</u>
<b>Expenditures:</b>					
Subsidies	-	239,856	142	6,202,885	6,442,883
Salaries and Benefits	1,065,130	2,409,845	4,439,241	1,069,709	8,983,925
Travel	-	48,603	44,718	37,468	130,789
Contractual Services	-	1,011,207	845,398	929,223	2,785,828
Commodities	-	1,686,948	429,599	236,627	2,353,174
Capital Outlay	-	466,131	357,188	25,642	848,961
Total Expenditures	<u>1,065,130</u>	<u>5,862,590</u>	<u>6,116,286</u>	<u>8,501,554</u>	<u>21,545,560</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	1,263,365	(1,377,350)	1,950,515	1,836,530
<b>Other Financing Sources (Uses):</b>					
Indirect Cost	-	(662,210)	694,952	-	32,742
Transfers In	-	423,527	1,154,092	-	1,577,619
Transfers (Out)	-	(69,921)	(185,382)	(1,287,984)	(1,543,287)
<b>Total Financing Sources (Uses)</b>	-	<u>(308,604)</u>	<u>1,663,662</u>	<u>(1,287,984)</u>	<u>67,074</u>
<b>Total Expenditures and Financing Sources (Uses)</b>	-	<u>954,761</u>	<u>286,312</u>	<u>662,531</u>	<u>1,903,604</u>
<b>Net Change in Fund Balances</b>	-	954,761	286,312	662,531	1,903,604
<b>Fund Balances - Beginning of Year</b>	-	(557,482)	5,499,035	20,093,249	25,034,802
<b>Fund Balances - End of Year</b>	\$ -	\$ 397,279	\$ 5,785,347	\$ 20,755,780	\$ 26,938,406

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background Information**

Mississippi Department of Marine Resources (MDMR), an agency of the State of Mississippi, follows fund accounting pursuant to applicable state statutes. 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 MDMR.

**Financial Reporting Entity**

MDMR is a state agency 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 Department of Marine Resources.

*Purpose of Funds 2245000000, 5345000000, 3345000000, and 33452000000*

Fund 2245000000 – Appropriations Fund or General Fund receives appropriations each year from the Legislature.

Fund 5345000000 – MDMR Federal Clearing Fund is a reimbursable fund used to recover funds spent on federal grants. Only grant programs that are 100% reimbursement programs are included in this fund, 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.

Fund 3345000000 – Seafood Fund accounts for the operating funds that support a majority of MDMR operations 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).

Fund 33452000000 – Tidelands Trust Fund accounts for the lease of Mississippi water bottoms.

**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).

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019, \$38,901 was held by MDMR as cash equivalents.

**Accounts Receivable**

Accounts receivable consist of amounts due from the Federal or State government in which the revenue is earned but not received by June 30, 2019. Accounts receivables is reported net of allowances for uncollectible accounts, where applicable. The Department deemed all accounts receivable fully collectible and did not record an allowance as of June 30, 2019.

**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 demonstrates the 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 accounting principles generally accepted in the United States of America, requires MDMR 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.

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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:

<b>Fund 5345000000</b>		
	<b>Description</b>	<b>Transfers In</b>
	Other State Fund	
	Mississippi Department of Environmental Quality	\$ 423,527
		<b>Transfers Out</b>
	Other Agency funds - NERR UCF	\$ 9,231
	Other State funds- Indirect Cost	60,690
	Total	\$ 69,921
<b>Fund 3345000000</b>		
	<b>Description</b>	<b>Transfers In</b>
	Other State Agency	
	Mississippi Department of Environmental Quality	
	- Oyster Project	\$ 3,200
	Other State Agency - Secretary of State	50,000
	Other Agency Funds- NERR UCF and Marine Patrol	78,939
	Other State Agency	
	Mississippi Department of Environmental Quality	44,966
	Other State Agency- Office of the Treasury	976,987
	Total	\$ 1,154,092
<b>Fund 3345000000</b>		
	<b>Description</b>	<b>Transfers Out</b>
	Other Agency funds - Cost Allocation	\$ 185,382
<b>Fund 3345200000</b>		
	<b>Description</b>	<b>Transfers Out</b>
	Other State Agency- Office of the Treasury	\$ 1,090,834
	Other State funds	197,150
	Total	\$ 1,287,984

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances – Governmental Funds**

MDMR 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.

MDMR 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.

**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. MDMRs' 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.

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 3 – DUE FROM AND DUE TO OTHER GOVERNMENTS**

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

<b>Fund 5345000000</b>		<b>Due From</b>
Federal Government		
U.S. Department of Commerce	\$	396,057
U.S. Department of the Interior		704,634
U.S. Department of Homeland Security		109,840
U.S. Department of Treasury		475,868
U.S. Department of Health and Human Services		15,018
Total	\$	<u>1,701,417</u>
Component Unit		
University of Michigan	\$	52,231
Mississippi State University		3,079
Total	\$	<u>55,310</u>
Other State Governments		
Gulf States Marine Fisheries Commission	\$	209,837
AFDO		15,017
Mississippi Department of Homeland Security		34,690
Gulf of Mexico Fisheries Management Council		17,828
Total	\$	<u>277,372</u>
Other State Agency		
Mississippi Department of Environment Quality	\$	<u>191,293</u>
<b>Fund 5345000000</b>		<b>Due To</b>
Other State Governments		
City of Moss Point	\$	5,748
Hancock County Tourism		8,806
Washington State		1,706
Total	\$	<u>16,260</u>
Other Agency Funds		
Fund 33450- Cost Allocation	\$	69,717
Component Unit		
University of Michigan	\$	174,143
Mississippi State University		10,463
Auburn University		25,221
Total	\$	<u>209,827</u>

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 3 –Due From and Due To Other Governments (continued)**

<b>Fund 3345000000</b>	<b>Due To</b>
Other State Governments	
Department of Marine Resources	
Grants Administrative fees	\$ 48,278
Other State Agency	
Department of Finance and Administration	\$ 21,447
Office of the State Auditor	99
Fund 33450- cost allocation	1,115
Total	<u>\$ 22,661</u>

<b>Fund 33452000000</b>	<b>Due To</b>
Other State Governments	
City of Moss Point	\$ 5,748
City of Pass Christian	4,905
MS Gulf Coast Community College	3,664
City of Moss Point	11,587
City of Moss Point	11,819
City of Gautier	2,880
City of Diamondhead	2,896
City of Gautier	10,109
City of Long Beach	218
City of Long Beach	218
Diamondhead Property Owner Association	6,390
City of Moss Point	4,825
City of Gulfport	290,904
MS Gulf Fishing Bank	200
City of Moss Point	37,000
City of Biloxi	2,680
Hancock County	51,460
City of Pass Christian	125,573
City of Gautier	11,509
City of Pascagoula	2,530
City of Bay St. Louis	3,650
City of Long Beach	228,921
Hancock County	82,294
City of Moss Point	5,475
Jackson County	650
City of Pass Christian	27
Harrison County	12,600
City of Diamondhead	1,414
Total	<u>\$ 922,145</u>

**STATE OF MISSISSIPPI  
DEPARTMENT OF MARINE RESOURCES  
SELECTED FUNDS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**NOTE 3 –Due From and Due To Other Governments (continued)**

<u>Fund 33452000000 (continued)</u>	<u>Due To</u>
Other State Agency	
Mississippi State Port Authority Gulfport	\$ 500
Component Unit	
University of Southern Michigan	\$ 185,118
Mississippi State University	18,084
Total	<u>\$ 203,202</u>

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

**NOTE 4 – Contingencies and Commitments**

**Federal Grants**

MDMR receives federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreement and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance of program uses of funds may be a liability of MDMR's.

**Litigation**

MDMR 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, MDMR will record a liability to reflect the estimated outcome of the litigation.

**NOTE 5: RETIREMENT PLAN**

MDMR contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiemployer 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. MDMR retirement contribution, as of June 30, 2019 for funds selected for audit, was \$1,049,943.





**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**

Joe Spraggins, Executive Director and Management  
State of Mississippi, Department of Marine Resources  
Biloxi, 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 2245000000, 5345000000, 3345000000, and 33452000000 of the Mississippi Department of Marine Resources (MDMR) as of and for the year ended June 30, 2019 and the related notes to the financial statements and have issued our report thereon dated December 9, 2019, which was unmodified for the selected funds. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report (CAFR).

**Internal Control Over Financial Reporting**

In planning and performing our audit of the selected funds 2245000000, 5345000000, 3345000000, and 33452000000, we considered MDMR'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 selected funds 2245000000, 5345000000, 3345000000, and 3345200000, 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 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. 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 MDMR's funds 2245000000, 5345000000, 3345000000, and 33452000000 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 9, 2019