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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



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**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
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YEAR ENDED JUNE 30, 2020**

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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, 3345000000, 3345200000, 5345000000, and 5345300000 of the State of Mississippi Department of Marine Resources (MDMR), as of and for the year ended June 30, 2020, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000 of MDMR as of June 30, 2020, 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, 3345000000, 3345200000, 5345000000, and 5345300000 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, 3345000000, 3345200000, 5345000000, and 5345300000. They do not purport to, and do not, present fairly the financial position of MDMR or the State of Mississippi as of June 30, 2020, 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 opinions on the financial statements are 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 January 19, 2021, 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 results 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
January 19, 2021

FINANCIAL STATEMENTS

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
BALANCE SHEETS
JUNE 30, 2020**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
ASSETS						
Equity in State Treasury Funds	\$ 11,870	\$ 5,722,776	\$ 26,168,854	\$ -	\$ 72,875,624	\$ 104,779,124
Cash and Cash Equivalents	-	38,582	-	-	-	38,582
Accounts Receivable	-	423,171	-	85,101	-	508,272
Due From Federal Government	-	-	-	4,268,778	-	4,268,778
Due From Other Governments	-	-	-	594,876	-	594,876
Due From Component Units of the State	-	-	-	4,005	-	4,005
Due From Other State Funds	-	2,122	4,931	191,939	-	198,992
Total Assets	\$ 11,870	\$ 6,186,651	\$ 26,173,785	\$ 5,144,699	\$ 72,875,624	\$ 110,392,629
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Equity in State Treasury Funds	\$ -	\$ -	\$ -	\$ 1,827,593	\$ -	\$ 1,827,593
Accounts Payable	-	272,515	303,079	721,685	1,235,072	2,532,351
Warrants Payable	11,870	15,048	52,576	109,353	106	188,953
Funds Held for Others	-	20,397	-	-	-	20,397
Due To Other Governments	-	16,892	1,560,903	205,412	2,413,581	4,196,788
Due To Other State Funds	-	-	640	181,580	1,755	183,975
Due To Component Units of the State	-	-	139,433	43,016	382,686	565,135
Unearned Revenue	-	-	-	58,295	68,439,043	68,497,338
Total Liabilities	11,870	324,852	2,056,631	3,146,934	72,472,243	78,012,530
FUND BALANCES						
Restricted for Recreation & Resource Development	-	5,861,799	24,117,154	1,997,765	403,381	32,380,099
Total Liabilities and Fund Balance	\$ 11,870	\$ 6,186,651	\$ 26,173,785	\$ 5,144,699	\$ 72,875,624	\$ 110,392,629

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
REVENUES						
Federal Grant Revenue	\$ -	\$ -	\$ -	\$ 8,814,828	\$ 14,057,567	\$ 22,872,395
Other Grant Revenue	-	-	-	1,055,142	-	1,055,142
Licenses, Fees, and Permits	-	1,350,104	3,649	1,795	-	1,355,548
Interest Income	-	141,832	511,607	-	-	653,439
Other Income	-	70,575	17,043	394,084	-	481,702
Total Revenues	-	1,562,511	532,299	10,265,849	14,057,567	26,418,226
EXPENDITURES						
Subsidies	-	26,438	4,895,359	2,202,005	9,420,986	16,544,788
Salaries and Benefits	1,101,802	4,590,682	943,060	2,723,701	168,574	9,527,819
Travel	-	29,753	23,846	29,945	1,404	84,948
Contractual Services	-	795,487	1,140,116	744,088	2,698,757	5,378,448
Commodities	-	421,042	288,083	1,788,654	1,002,782	3,500,561
Capital Outlay	-	(16,381)	448,302	399,320	-	831,241
Total Expenditures	1,101,802	5,847,021	7,738,766	7,887,713	13,292,503	35,867,805
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,101,802)	(4,284,510)	(7,206,467)	2,378,136	765,064	(9,449,579)
OTHER FINANCING SOURCES (USES)						
Indirect Cost	-	1,038,021	-	(865,710)	-	172,311
Transfers In	1,101,802	3,495,172	11,740,000	476,191	403,382	17,216,547
Transfers (Out)	-	(172,231)	(1,172,159)	(388,130)	(765,065)	(2,497,585)
Total Financing Sources (Uses)	1,101,802	4,360,962	10,567,841	(777,649)	(361,683)	14,891,273
NET CHANGE IN FUND BALANCES	-	76,452	3,361,374	1,600,487	403,381	5,441,694
Fund Balances - Beginning of Year	-	5,785,347	20,755,780	397,278	-	26,938,405
FUND BALANCES - END OF YEAR	\$ -	\$ 5,861,799	\$ 24,117,154	\$ 1,997,765	\$ 403,381	\$ 32,380,099

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 3345000000, 3345200000, 5345000000, and 5345300000

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

Fund 3345000000 – Seafood Fund is a special fund that 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 3345200000 – Tidelands Trust Fund is a special fund that accounts for the lease of Mississippi water bottoms.

Fund 5345000000 – MDMR Federal Clearing Fund is a reimbursable federal 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 5345300000 – GOMESA (Gulf of Mexico Energy Security Act), Phase II Fund is a federal fund that accounts for an advance payment grant from the U.S. Department of the Interior Office of Natural Resources Revenue for specific purposes that provide coastal restoration and environmental projects. The fund was established during the audit period to account for activities previously recorded in fund 3345300000.

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
JUNE 30, 2020**

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, 2020, \$38,582 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, 2020. 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, 2020.

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
JUNE 30, 2020**

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.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers (Continued)

As of June 30, 2020, Fund transfers consisted of:

Fund 2245000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency - Office of the State Treasurer	<u>\$ 1,101,802</u>

Fund 3345000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Emergency Management Agency	\$ 150,702
Secretary of State	3,050,000
Other Agency Funds - Fund 53450 - Indirect Cost Allocation	294,470
Total	<u>\$ 3,495,172</u>

<u>Description</u>	<u>Transfers Out</u>
Other Agency Funds - Fund 53450 - Indirect Cost Allocation	\$ 6,004
Other State Agency - Department Finance and Administration	166,227
Total	<u>\$ 172,231</u>

Fund 3345200000

<u>Description</u>	<u>Transfers In</u>
Other State Agency - Secretary of State	<u>\$ 11,740,000</u>

<u>Description</u>	<u>Transfers Out</u>
Other State Agency - Office of the State Treasurer	<u>\$ 1,172,159</u>

Fund 53450000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Department of Environmental Quality	\$ 452,173
Department Finance and Administration	24,018
Total	<u>\$ 476,191</u>

<u>Description</u>	<u>Transfers Out</u>
Other Agency Funds - NERR UCF	\$ 162,277
Other State Funds - Fund 33450 - Indirect Cost Allocation	225,853
Total	<u>\$ 388,130</u>

Fund 5345300000

<u>Description</u>	<u>Transfers In</u>
Other Agency Funds - Fund 33453 - GOMESA, Phase II	<u>\$ 403,382</u>

<u>Description</u>	<u>Transfers Out</u>
Other State Agency -	
Mississippi Department of Finance & Administration	\$ 665,000
Mississippi Department of Environmental Quality	100,065
Total	<u>\$ 765,065</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

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.

Assigned – This classification includes amounts where constraints are imposed on the use of resources through the intent of the State Legislature or by its delegation to each agency director.

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.

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
JUNE 30, 2020**

NOTE 3 DUE FROM AND DUE TO OTHER GOVERNMENTS

At June 30, 2020, due from and due to other governments balances consisted of:

Fund 3345000000	Due From
Other Agency Funds	
Fund 53450 - Indirect Cost Allocation	<u>\$ 2,122</u>
Fund 3345000000	Due To
Other Governments	
City of Ocean Springs	\$ 14,659
US Army Corps of Engineers	2,049
City of Pass Christian	6
Memorial Hospital - Gulfport	178
Total	<u>\$ 16,892</u>
Fund 3345200000	Due From
Other State Funds	
Office of the State Treasurer	<u>\$ 4,931</u>
Fund 3345200000	Due To
Other Governments	
US Geological Survey Map Distribution	\$ 37,475
Diamondhead Property Owners Assn	13,415
City of Moss Point	120,640
Hancock County	34,361
MS Wildfire Federation	2,486
MS Gulf Fishing Banks	1,100
City of Bay St. Louis	59,900
City of Biloxi	305,742
Jackson County	121,465
City of Gulfport	96,043
City of Gautier	140,191
City of Diamondhead	51,041
City of Long Beach	299,865
City of Pass Christian	59,028
MS State Port Authority at Gulfport	500
MS Gulf Coast Community College	4,861
Ocean Springs School District	212,790
Total	<u>\$ 1,560,903</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DUE FROM AND DUE TO OTHER GOVERNMENTS (CONTINUED)

Fund 33452000000 (continued)		Due To
Other State Funds		
DFA Adjustment		\$ 640
Component Units of the State		
University of Southern Mississippi		\$ 133,273
Mississippi State University		6,160
Total		<u>\$ 139,433</u>
Fund 5345000000		Due From
Federal Government		
U.S. Department of Commerce		\$ 2,436,573
U.S. Department of the Interior		834,876
U.S. Department of Homeland Security		126,930
U.S. Gulf Cost Ecosystem Restoration Council		399
U.S. Department of Treasury		846,234
U.S. Department of Health and Human Services		23,766
Total		<u>\$ 4,268,778</u>
Component Units of the State		
Mississippi State University		<u>\$ 4,005</u>
Other Governments		
Gulf States Marine Fisheries Commission		\$ 506,955
American Food and Drug Administration		2,964
National Oceanic and Atmospheric Administration		41,520
Auburn University		43,437
Total		<u>\$ 594,876</u>
Other State Funds		
Department of Public Safety		\$ 6,551
Mississippi Department of Environment Quality		185,388
Total		<u>\$ 191,939</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DUE FROM AND DUE TO OTHER GOVERNMENTS (CONTINUED)

Fund 5345000000	Due To
Other Governments	
City of Bay St. Louis	\$ 120,587
Hancock County	84,825
Total	<u>\$ 205,412</u>
Other State Funds	
Fund 33450 - Indirect Cost Allocation	<u>\$ 181,580</u>
Component Units of the State	
Mississippi State University	\$ 11,124
University of Southern Mississippi	31,892
Total	<u>\$ 43,016</u>
Fund 5345300000	Due To
Other Governments	
City of Gulfport	\$ 2,086,967
City of Bay St. Louis	17,086
Jackson County Board of Supervisors	87,932
Hancock County	12,250
City of Biloxi	209,346
Total	<u>\$ 2,413,581</u>
Other State Funds	
Mississippi Department of Environment Quality	<u>\$ 1,755</u>
Component Units of the State	
University of Southern Mississippi	\$ 164,457
Mississippi State University	218,229
Total	<u>\$ 382,686</u>

All amounts due to MDMR are expected to be collected in fiscal year 2021.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 multi-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 17.40% 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, 2020 for funds selected for audit, was \$1,185,686.



**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***

Gen. 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, 3345000000, 3345200000, 5345000000, and 5345300000 of the State of Mississippi Department of Marine Resources (MDMR) as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated January 19, 2021, which contained an unmodified opinion with an Other Matter paragraph regarding the omission of management's discussion and analysis. 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 financial statements of the selected funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000, 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, 3345000000, 3345200000, 5345000000, and 5345300000, 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-014, that we consider to be a material weakness.

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

Compliance and Other Matters

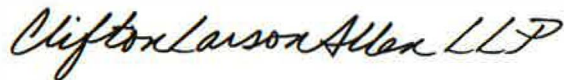
As part of obtaining reasonable assurance about whether MDMR's funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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*.

MDMR's Response to Finding

The MDMR's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MDMR'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 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
January 19, 2021

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

2020-014 CORRECTION OF AN ERROR

Type of Finding:

- **Material Weakness in Internal Control over Financial Reporting**

Condition:

For fund 5345300000, advance receipts were recognized as revenue when received and not deferred to future periods to match programmatic expenditures as incurred. As a result, revenues and liabilities were overstated and understated, respectively, causing the ending fund balance to be overstated by \$68,439,043 as of June 30, 2020. The following is a summary of the adjustment that was required for fund 5345300000:

	<u>Debit</u>	<u>Credit</u>
Federal Revenue	\$ 68,439,043	
Unearned Federal Revenue		\$ 68,439,043

Criteria or specific requirement:

Per GASB Statement 33 related to voluntary nonexchange transactions, cash and other assets that are provided in advance should be reported as deferred revenues [liabilities] by recipients until allowable costs have been incurred and any other eligibility requirements have been met.

Context:

During audit testing of federal revenue, it was noted that advance receipts were recognized as revenue when received and not deferred to match programmatic expenditures when incurred.

Effect:

The ending fund balance for fund 5345300000 was materially overstated as noted below:

	<u>Fund 5345300000</u>
Unadjusted Fund Balance, End of Year	\$ 68,842,424
Adjustment	<u>(68,439,043)</u>
Adjusted Fund Balance, End of Year	<u>\$ 403,381</u>

Cause:

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

Recommendation:

We recommend that MDMR 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 and planned corrective actions:

Management agrees with the finding.



STATE OF MISSISSIPPI

Tate Reeves
Governor

MISSISSIPPI DEPARTMENT OF MARINE RESOURCES

Joe Spraggins, Executive Director

FINANCIAL AUDIT FINDINGS

March 9, 2021

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 Department of Marine Resources has received the drafted audit report and drafted finding for the FY20 agency audit. Please find our response below to finding 2020-014 as well as our corrective action plan.

AUDIT FINDINGS:

2020-014 Correction of an Error

Response: The Department of Marine Resources recognizes revenue on a cash basis. All funds are recorded in full as they are received by the agency. Originally in FY18, the funds in the finding were set up in a non-federal fund because it was not deemed federal grant money. In FY19, during the lapse period, the agency was informed by ONRR that the funds were deemed federal money. A new fund was established so that the entries moving forward would be recorded in the correct fund. Discussions with DFA included what to do with the funding that was already recorded and housed in the initial fund. No corrective could be taken at the time due to the close of lapse period. Subsequently, at the close of FY20, we learned from the Mississippi State Auditor's Office that these funds were in fact not deemed federal assistance and needed to be transferred to a different fund. After transferring the revenue to the appropriate fund, the Department of Finance made a transfer to move the cash balance to the appropriate fund as well. In doing so those funds got transferred to a revenue account instead of a transfer from one cash account to another cash account. The result was an overstatement of revenue by \$40,965,429 which we were unable to correct. Although this entry does need to be made

to correct this error and adjust the books, the Mississippi Department of Marine Resources does not feel this error is a material weakness in our internal control. We do, however, recognize that revenue, for GAAP purposes, should be deferred if not earned by fiscal year end.

Corrective Action Plan:

- A. To reclassify any revenue that has not been earned by the end of the fiscal year to an unearned revenue account.

Sincerely,

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

Joe Spraggins
Executive Director
Mississippi Department of Marine Resources