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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**



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**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
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YEAR ENDED JUNE 30, 2021**

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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, 2021, and the related notes to the financial statements. These financial statements will be consolidated into the State of Mississippi's Annual Comprehensive Financial Report (ACFR).

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, 2021, 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, 2021, 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.

As described in Note 6 to the financial statements, MDMR restated beginning balances to correct accounting errors that occurred in the prior year. Our opinion is not modified with respect to that 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 31, 2022, 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 31, 2022

FINANCIAL STATEMENTS

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
BALANCE SHEETS
JUNE 30, 2021**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
ASSETS						
Equity in State Treasury Funds	\$ 12,787	\$ 5,803,154	\$ 26,096,992	\$ -	\$ 94,130,480	\$ 126,043,413
Cash and Cash Equivalents	-	41,788	-	-	-	41,788
Accounts Receivable	-	179,196	-	176,809	-	356,005
Due from Federal Government	-	65,184	-	4,001,673	-	4,066,857
Due from Other Governments	-	1,350	-	814,256	-	815,606
Due from Other State Funds	-	272,360	3,934	169,183	29,216,818	29,662,295
Total Assets	\$ 12,787	\$ 6,363,032	\$ 28,100,926	\$ 5,161,921	\$ 123,347,298	\$ 160,985,964
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Equity in State Treasury Funds	\$ -	\$ -	\$ -	\$ 1,208,035	\$ -	\$ 1,208,035
Accounts Payable	-	350,324	233,312	818,484	188,355	1,590,475
Warrants Payable	12,787	19,553	95,953	12,334	153	140,780
Funds Held for Others	-	20,397	-	-	-	20,397
Due to Other Governments	-	14,337	1,103,498	4,705	1,117,693	2,240,233
Due to Other State Funds	-	37,393	-	39,538	29,218,595	29,295,526
Due to Component Units of the State	-	-	35,526	142,163	318,036	495,725
Unearned Revenue	-	-	-	345,182	91,604,469	91,949,651
Total Liabilities	12,787	442,004	1,468,289	2,570,441	122,447,301	126,940,822
FUND BALANCES						
Restricted for Recreation and Resource Development	-	5,921,028	24,632,637	2,591,480	899,997	34,045,142
Total Liabilities and Fund Balances	\$ 12,787	\$ 6,363,032	\$ 28,100,926	\$ 5,161,921	\$ 123,347,298	\$ 160,985,964

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, 2021**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
REVENUES						
Federal Grant Revenue	\$ -	\$ -	\$ -	\$ 4,430,186	\$ 6,051,392	\$ 10,481,578
Other Grant Revenue	-	-	-	1,097,923	-	1,097,923
Licenses, Fees, and Permits	-	1,388,017	-	-	-	1,388,017
Interest Income	-	49,421	182,390	-	-	231,811
Other Income	-	326,566	34,711	448,414	-	809,691
Total Revenues	-	1,764,004	217,101	5,976,523	6,051,392	14,009,020
EXPENDITURES						
Subsidies	-	-	3,976,830	272,988	5,092,926	9,342,744
Salaries and Benefits	1,041,609	4,394,410	980,781	2,785,870	80,097	9,282,767
Travel	-	8,674	189	3,326	-	12,189
Contractual Services	-	766,679	767,080	1,082,263	693,197	3,309,219
Commodities	-	379,644	98,277	367,476	80,581	925,978
Capital Outlay	-	31,812	29,579	546,559	10,179	618,129
Total Expenditures	1,041,609	5,581,219	5,852,736	5,058,482	5,956,980	23,491,026
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,041,609)	(3,817,215)	(5,635,635)	918,041	94,412	(9,482,006)
OTHER FINANCING SOURCES (USES)						
Indirect Cost	-	332,370	-	(563,853)	-	(231,483)
Transfers In	1,041,609	3,681,250	7,349,277	580,563	-	12,652,699
Transfers (Out)	-	(137,176)	(1,198,159)	(341,036)	(94,412)	(1,770,783)
Total Financing Sources (Uses)	1,041,609	3,876,444	6,151,118	(324,326)	(94,412)	10,650,433
NET CHANGE IN FUND BALANCES	-	59,229	515,483	593,715	-	1,168,427
Fund Balances - Beginning of Year	-	5,861,799	24,117,154	1,997,765	403,381	32,380,099
Prior Period Adjustment, See Note 6	-	-	-	-	496,616	496,616
Fund Balances - Beginning of Year, as Restated	-	5,861,799	24,117,154	1,997,765	899,997	32,876,715
FUND BALANCES - END OF YEAR	\$ -	\$ 5,921,028	\$ 24,632,637	\$ 2,591,480	\$ 899,997	\$ 34,045,142

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 Annual Comprehensive 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 of federal revenue from the U.S. Department of the Interior Office of Natural Resources Revenue for specific purposes that provide coastal restoration and environmental 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).

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, \$41,788 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, 2021. 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, 2021.

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, 2021**

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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers (Continued)

As of June 30, 2021, Fund transfers consisted of:

Fund 2245000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency - Office of the State Treasurer	\$ 1,041,609

Fund 3345000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Emergency Management Agency	\$ 224,106
Mississippi Department of Environmental Quality	12,800
Secretary of State	3,050,000
Other Agency Funds - JEA Contract Cash on Hand Transfer	162,191
Other Agency Funds - Fund 53450 - Indirect Cost Allocation	232,153
Total	\$ 3,681,250

	<u>Transfers Out</u>
Other Agency Funds - Cost Allocation Reimbursements	\$ 1,380
Other State Agency - Department Finance and Administration	135,796
Total	\$ 137,176

Fund 3345200000

<u>Description</u>	<u>Transfers In</u>
Other State Agency - Secretary of State	\$ 7,349,277

	<u>Transfers Out</u>
Other State Agency - Office of the State Treasurer	\$ 1,198,159

Fund 53450000000

<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Department of Environmental Quality	\$ 580,563

	<u>Transfers Out</u>
Other State Agency -	
Mississippi Department of Finance and Administration	\$ 152,773
Other State Funds - Fund 33450 - Indirect Cost Allocation	188,263
Total	\$ 341,036

Fund 5345300000

<u>Description</u>	<u>Transfers Out</u>
Other State Agency -	
Mississippi Department of Finance and Administration	\$ 88,468
Mississippi Department of Environmental Quality	5,944
Total	\$ 94,412

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021**

NOTE 3 DUE FROM AND DUE TO OTHER GOVERNMENTS

At June 30, 2021, due from and due to other governments balances consisted of:

Fund 3345000000		Due From
Other Agency Funds		
Indirect Cost Allocation		\$ 57,984
MS Department of Enviromental Quality		3,200
Mississippi Emergency Management Agency (MEMA)		211,176
Total		<u>\$ 272,360</u>
Federal Government		
Department of Interior (USFWS)		<u>\$ 65,184</u>
Other Governments		
Jackson County		\$ 700
Harrison County		650
Total		<u>\$ 1,350</u>
Fund 3345000000		Due To
Other Governments		
US Army Corps of Engineers		\$ 14,143
City of Pass Christan		194
Total		<u>\$ 14,337</u>
Other State Funds		
Department Finance and Administration		\$ 36,849
Office of the State Auditor		16
Indirect Cost Expense		528
Total		<u>\$ 37,393</u>
Fund 3345200000		Due From
Other State Funds		
Office of the State Treasurer		<u>\$ 3,934</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Fund 3345200000	Due To
Other Governments	
US Geological Survey Map Distribution	\$ 39,502
City of Moss Point	43,766
Hancock County	18,640
Harrison County	124,800
MS Gulf Fishing Banks	4,400
City of Bay St. Louis	201,200
City of Biloxi	8,980
Jackson County	217,357
City of D'Iberville	122,970
City of Gulfport	105,466
City of Diamondhead	3,546
City of Long Beach	16,868
City of Pascagoula	36,387
City of Pass Christian	1,910
City of Ocean Springs	108,686
MS Gulf Coast Community College	49,020
Total	<u>\$ 1,103,498</u>
Component Units of the State	
University of Southern Mississippi	\$ 5,865
Auburn University	19,401
Mississippi State University	10,260
Total	<u>\$ 35,526</u>
Fund 5345000000	Due From
Federal Government	
U.S. Department of Commerce	\$ 1,944,266
U.S. Department of the Interior	649,362
U.S. Department of Homeland Security	155,752
U.S. Department of Treasury	1,176,236
U.S. Department of Health and Human Services	23,766
National Oceanic and Atmospheric Administration	48,984
Environmental Protection Agency	3,307
Total	<u>\$ 4,001,673</u>
Other Governments	
Gulf States Marine Fisheries Commission	\$ 517,066
Department of Homeland Security	11,111
Gulf of Mexico Fishery Management Council	35,957
Mississippi Department of Environment Quality	250,122
Total	<u>\$ 814,256</u>
Other State Funds	
Mississippi Department of Environment Quality	<u>\$ 169,183</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Fund 5345000000	Due To
Other Governments	
City of Bay St. Louis	\$ 2,304
Jackson County	2,401
Total	<u>\$ 4,705</u>
Other State Funds	
Indirect Cost Allocation	<u>\$ 39,538</u>
Component Units of the State	
Mississippi State University	\$ 21,000
University of Southern Mississippi	121,163
Total	<u>\$ 142,163</u>
Fund 5345300000	Due To
Other Governments	
City of Gulfport	\$ 124,934
City of Bay St. Louis	34,277
City of Biloxi	471,223
Jackson County	452,554
Hancock County	34,705
Total	<u>\$ 1,117,693</u>
Other State Funds	
Department Finance and Administration	\$ 29,216,818
Mississippi Department of Environment Quality	1,777
Total	<u>\$ 29,218,595</u>
Component Units of the State	
University of Southern Mississippi	\$ 230,354
Mississippi State University	87,682
Total	<u>\$ 318,036</u>
Fund 5345300000	Due From
Other State Funds	
Office of the State Treasurer	<u>\$ 29,216,818</u>

All amounts due to MDMR are expected to be collected in fiscal year 2022.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 for funds selected for audit, was \$1,179,256.

NOTE 6 PRIOR PERIOD ADJUSTMENT

Beginning fund balance for Fund 5345300000 (GOMESA) was restated to correct for the overstatement of expenditures in the prior year.

Fund Balances - Beginning of Year	\$	403,381
Prior Period Adjustment		496,616
Fund Balances - Beginning of Year, as Restated	\$	<u>899,997</u>



**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, 2021 and the related notes to the financial statements and have issued our report thereon dated January 31, 2022, 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 Annual Comprehensive Financial Report (ACFR).

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) as a basis for designing 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 2021-004, 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 financial statements. 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 31, 2022

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

2021-004 AUDIT ADJUSTMENTS

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition:

As part of the audit, we proposed material adjustments for two items in fund 5345300000. First, all federal grant revenue received in FY21 was recorded as unearned revenue instead of matching programmatic expenditures that were incurred in FY21 with a portion of the revenues. As a result, revenues were understated and liabilities were overstated, respectively, causing the ending fund balance to be understated by \$6,051,392. In addition, expenditures in the prior year were overstated and fund balance understated by \$496,616 due to the double counting of an invoice in FY20, resulting in a prior period adjustment.

The following is a summary of the adjustments that were required for fund 5345300000:

	<u>Debit</u>	<u>Credit</u>
Federal Revenue		\$ 6,051,392
Unearned Federal Revenue	\$ 6,051,392	
Commodities - GAAP	\$ 496,616	

Criteria:

Management is responsible for establishing and maintaining internal controls for the proper recording of all receipts and disbursements.

Context:

During audit testing of unearned revenue, it was noted that advance receipts were recognized as unearned revenue when received and not recognized to match programmatic expenditures that were incurred in FY21 in the amount of \$6,051,392. Also, during testing of expenditures, it was noted that an invoice was recorded twice in the amount of \$496,616 during FY20.

Effect:

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

	<u>Fund 5345300000</u>
Unadjusted Fund Balance, End of Year	\$ (5,648,011)
Adjustment - Unearned Revenue	6,051,392
Adjustment - Commodities Expenditures	496,616
Adjusted Fund Balance, End of Year	<u>\$ 899,997</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

2021-004 .AUDIT ADJUSTMENTS (CONTINUED)

Cause:

The corrections were due to errors that were 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

February 25, 2022

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

Dr. Mr. White:

The Mississippi Department of Marine Resources has received the drafter audit report and drafted findings for the FY21 agency audit. Please find our response below to finding 2021-004 as well as our corrective action plan.

AUDIT FINDINGS:

2021-004 AUDIT ADJUSTMENTS

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. With the GOMESA fund, we recognize that revenue, for GAAP purposes, should be deferred if not earned by fiscal year end. The Department of Marine Resources did defer the GOMESA revenue in the GAAP packet. However, as an oversight, we deferred the full amount of revenue without recognizing the \$6,051,392 in FY21 expenditures for the fiscal year as earned revenue. Therefore, revenue for FY21 was understated. Additionally, in the GAAP packet, the MDMR accrued an invoice that a goods receipt had already been processed for. The trial balance reflected both the goods receipt and the accrual, thus overstating expenditures by in the amount of \$496,616. Although these entries need to be made to correct this error and adjust the books, the Mississippi Department of Marine Resources does not feel these errors are a material weakness in our internal control.

Corrective Action Plan:

- A. To book expenditures incurred during the fiscal year as earned revenue via the GAAP packet. Before accruing expenditures, to thoroughly evaluate what has been posted and reflected in the trial balance to prevent double booking
- B. Contact: Brandi Busby, Director of Finance at 228-523-4099
- C. Anticipated completion date for corrective action is June 30, 2022.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Spraggins", with a stylized flourish extending to the right.

Joe Spraggins
Executive Director
Mississippi Department of Marine Resources