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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**



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**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the selected funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000 of the Mississippi Department of Marine Resources (MDMR) of the State of Mississippi, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MDMR's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
2245000000	Unmodified
3345000000	Modified
3345200000	Unmodified
5345000000	Unmodified
5345300000	Unmodified

Qualified Opinion on Fund 3345000000

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of fund 3345000000 for MDMR of the State of Mississippi as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Funds 2245000000, 3345200000, 5345000000, and 5345300000

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of funds 2245000000, 3345200000, 5345000000, and 5345300000 for MDMR of the State of Mississippi as of June 30, 2022, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Mississippi, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on Fund 3345000000

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* as of June 30, 2022, which is material to fund 3345000000. Accounting principles generally accepted in the United States of America require that all GASB statements are implemented when applicable. The amount by which this departure would affect assets, deferred inflows of resources, revenue, and fund balance of fund 3345000000 has not been determined.

Emphasis of Matter

As discussed in Note 1, the financial statements of funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000 of MDMR are intended to present the financial position, the changes in financial position of only that portion of funds 2245000000, 3345000000, 3345200000, 5345000000, and 5345300000 of the State of Mississippi that is attributable to the transactions of MDMR. They do not purport to, and do not, present fairly the financial position of the State of Mississippi as of June 30, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MDMR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, on our consideration of the MDMR of the State of Mississippi'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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
January 10, 2023

FINANCIAL STATEMENTS

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
BALANCE SHEET
JUNE 30, 2022**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
ASSETS						
Equity in State Treasury Funds	\$ 15,544	\$ 5,864,305	\$ 29,772,143	\$ -	\$ 112,648,701	\$ 148,300,693
Cash and Cash Equivalents	-	41,788	-	-	-	41,788
Accounts Receivable	-	175,055	-	-	-	175,055
Due from Federal Government	-	2,716	-	961,412	-	964,128
Due from Other Governments	-	2,222	-	443,398	-	445,620
Due from Other State Funds	-	334,131	9,633	148,864	-	492,628
Due from Component Units of the State	-	7,200	-	91,765	-	98,965
Total Assets	<u>\$ 15,544</u>	<u>\$ 6,427,417</u>	<u>\$ 29,781,776</u>	<u>\$ 1,645,439</u>	<u>\$ 112,648,701</u>	<u>\$ 150,518,877</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Equity in State Treasury Funds	\$ -	\$ -	\$ -	\$ 847,658	\$ -	\$ 847,658
Accounts Payable	-	275,705	792,553	514,557	1,915,700	3,498,515
Warrants Payable	15,544	-	73,348	8,159	17,355	114,406
Accrued Wages Payable	-	222,892	52,644	125,933	6,490	407,959
Funds Held for Others	-	20,397	-	-	-	20,397
Due to Other Governments	-	304,597	2,428,675	176,370	3,519,155	6,428,797
Due to Other State Funds	-	21,131	720	112,499	2,245	136,595
Due to Component Units of the State	-	-	90,453	175,533	651,017	917,003
Unearned Revenue	-	-	-	-	106,536,739	106,536,739
Total Liabilities	<u>15,544</u>	<u>844,722</u>	<u>3,438,393</u>	<u>1,960,709</u>	<u>112,648,701</u>	<u>118,908,069</u>
FUND BALANCES						
Restricted for Recreation and Resource Development	-	5,582,695	26,343,383	-	-	31,926,078
Unassigned	-	-	-	(315,270)	-	(315,270)
Total Fund Balance	<u>-</u>	<u>5,582,695</u>	<u>26,343,383</u>	<u>(315,270)</u>	<u>-</u>	<u>31,610,808</u>
Total Liabilities and Fund Balances	<u>\$ 15,544</u>	<u>\$ 6,427,417</u>	<u>\$ 29,781,776</u>	<u>\$ 1,645,439</u>	<u>\$ 112,648,701</u>	<u>\$ 150,518,877</u>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022**

	Fund 2245000000	Fund 3345000000	Fund 3345200000	Fund 5345000000	Fund 5345300000	Total
REVENUES						
Federal Grant Revenue	\$ -	\$ -	\$ -	\$ 1,012,566	\$ 14,485,178	\$ 15,497,744
Other Grant Revenue	-	-	-	1,061,958	-	1,061,958
Licenses, Fees, and Permits	-	1,444,295	1,149	1,935	-	1,447,379
Interest Income	-	35,191	148,635	-	-	183,826
Other Income	-	229,114	507	456,991	-	686,612
Total Revenues	-	1,708,600	150,291	2,533,450	14,485,178	18,877,519
EXPENDITURES						
Subsidies	-	9,341	6,253,494	777,822	10,199,767	17,240,424
Salaries and Benefits	1,079,426	4,622,034	967,752	2,881,984	171,028	9,722,224
Travel	-	17,766	25,218	34,942	174	78,100
Contractual Services	-	993,974	869,772	1,191,740	2,842,623	5,898,109
Commodities	-	448,418	283,644	397,236	984,399	2,113,697
Capital Outlay	-	184,764	67,328	26,595	-	278,687
Total Expenditures	1,079,426	6,276,297	8,467,208	5,310,319	14,197,991	35,331,241
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,079,426)	(4,567,697)	(8,316,917)	(2,776,869)	287,187	(16,453,722)
OTHER FINANCING SOURCES (USES)						
Indirect Cost	-	384,191	-	(357,945)	-	26,246
Transfers In	1,079,426	3,914,731	11,226,497	724,089	-	16,944,743
Transfers Out	-	(69,558)	(1,198,834)	(496,025)	(1,187,184)	(2,951,601)
Total Financing Sources (Uses)	1,079,426	4,229,364	10,027,663	(129,881)	(1,187,184)	14,019,388
NET CHANGE IN FUND BALANCES	-	(338,333)	1,710,746	(2,906,750)	(899,997)	(2,434,334)
Fund Balances - Beginning of Year	-	5,921,028	24,632,637	2,591,480	899,997	34,045,142
FUND BALANCES - END OF YEAR	\$ -	\$ 5,582,695	\$ 26,343,383	\$ (315,270)	\$ -	\$ 31,610,808

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 revenue 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 revenue fund that accounts for the lease of Mississippi water bottoms.

Fund 5345000000 – MDMR Federal Clearing Fund is a special revenue fund used to recover federal and nonfederal funds spent on 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 and other sources.

Fund 5345300000 – GOMESA (Gulf of Mexico Energy Security Act), Phase II Fund is a special revenue 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, 2022**

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, 2022, \$41,788 was held by MDMR as cash equivalents. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the State of Mississippi.

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, 2022. Accounts receivables is reported net of allowances for uncollectible accounts, where applicable. The MDMR deemed all accounts receivable fully collectible and did not record an allowance as of June 30, 2022.

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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grant revenue is recognized when the related and allowable liability is incurred. 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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers (Continued)

As of June 30, 2022, fund transfers consisted of:

Fund 2245000000	
<u>Description</u>	<u>Transfers In</u>
Other State Agency - Office of the State Treasurer	\$ 1,079,426
Fund 3345000000	
<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Emergency Management Agency	\$ 288,602
Mississippi Department of Environmental Quality	64,594
Secretary of State	3,050,000
Department of Finance and Administration	3,518
Other Agency Funds - JEA Contract Cash on Hand Transfer	157,651
Other Agency Funds - Fund 53450 - Indirect Cost Allocation	350,366
Total	\$ 3,914,731
	<u>Transfers Out</u>
Other Agency Funds - Cost Allocation Reimbursements	\$ 9,370
Other State Agency - Department Finance and Administration	60,188
Total	\$ 69,558
Fund 3345200000	
<u>Description</u>	<u>Transfers In</u>
Other State Agency - Secretary of State	\$ 11,226,497
	<u>Transfers Out</u>
Other State Agency - Office of the State Treasurer	\$ 1,198,834
Fund 53450000000	
<u>Description</u>	<u>Transfers In</u>
Other State Agency -	
Mississippi Department of Environmental Quality	\$ 685,482
Department Finance and Administration	38,607
Total	\$ 724,089
	<u>Transfers Out</u>
Other State Agency -	
Department Finance and Administration	\$ 38,607
Other Agency Funds - Fund 33450 - Indirect Cost Allocation	457,418
Total	\$ 496,025
Fund 5345300000	
<u>Description</u>	<u>Transfers Out</u>
Other State Agency -	
Mississippi Department of Finance and Administration/MDWFP	\$ 1,178,086
Mississippi Department of Environmental Quality	9,098
Total	\$ 1,187,184

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. More information can be found in the State of Mississippi's Annual Comprehensive Financial Report (ACFR).

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2022, Fund 5345000000 had a deficit fund balance of \$315,270. This deficit will be eliminated through future revenues.

NOTE 4 DUE FROM AND DUE TO OTHER GOVERNMENTS

At June 30, 2022, due from and due to other governments balances consisted of:

<u>Fund 3345000000</u>	<u>Due From</u>
Other Agency Funds	
Indirect Cost Allocation	\$ 145,420
Department Finance and Administration	1,106
Mississippi Emergency Management Agency	187,605
Total	<u>\$ 334,131</u>
Federal Government	
Department of Interior (USFWS)	<u>\$ 2,716</u>
Other Governments	
Jackson County	\$ 1,184
Harrison County	1,038
Total	<u>\$ 2,222</u>
Component Units of the State	
MS Gulf Coast Community College	<u>\$ 7,200</u>
<u>Fund 3345000000</u>	<u>Due To</u>
Other Governments	
Harrison County Development Commission	\$ 47
US Treasury	304,348
City of Pass Christian	202
Total	<u>\$ 304,597</u>
Other State Funds	
Department Finance and Administration	\$ 19,144
Information Technology Services	1,978
DMR-Administrative Fees-BP Seafood Marketing	4
Office of the State Auditor	5
Total	<u>\$ 21,131</u>
<u>Fund 3345200000</u>	<u>Due From</u>
Other State Funds	
Office of the State Treasurer	<u>\$ 9,633</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 DUE FROM AND DUE TO OTHER GOVERNMENTS (CONTINUED)

Fund 3345200000 (Continued)	Due To
Other Governments	
US Geological Survey Map Distribution	\$ 35,323
Alabama Department of Health	5,580
Baldwin County Health Department	19,055
City of Moss Point	48,521
Hancock County	27,351
Harrison County	69,748
Gulf Coast Community Foundation	8,000
MS Gulf Fishing Banks	6,713
City of Bay St. Louis	109,178
City of Biloxi	91,629
Jackson County	224,100
City of D'Iberville	593,964
City of Gulfport	192,056
City of Gautier	133,535
City of Diamondhead	47,388
City of Long Beach	36,841
City of Pascagoula	563,703
City of Pass Christian	17,601
City of Ocean Springs	20,252
City of Waveland	178,137
Total	<u>\$ 2,428,675</u>
Other State Funds	
Information Technology	<u>\$ 720</u>
Component Units of the State	
University of Southern Mississippi	\$ 31,553
MS Gulf Coast Community College	38,308
Mississippi State University	20,592
Total	<u>\$ 90,453</u>
Fund 5345000000	Due From
Federal Government	
U.S. Department of Commerce	\$ 480,643
U.S. Department of the Interior	411,217
U.S. Department of Homeland Security	1,961
Environmental Protection Agency	67,591
Total	<u>\$ 961,412</u>
Other Governments	
Gulf States Marine Fisheries Commission	\$ 303,478
American Food and Drug Administration	15,882
National Oceanic and Atmospheric Administration	101,538
Gulf of Mexico Fishery Management Council	22,500
Total	<u>\$ 443,398</u>
Other State Funds	
Mississippi Department of Environment Quality	<u>\$ 148,864</u>
Component Units of the State	
Mississippi State University	\$ 5,779
University of Mississippi	85,986
Total	<u>\$ 91,765</u>

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 DUE FROM AND DUE TO OTHER GOVERNMENTS (CONTINUED)

Fund 5345000000		Due To
Other Governments		
City of Bay St. Louis	\$	153,447
National Oceanic and Atmospheric Administration		2,565
United States Army		6,528
City of Diamondhead		500
Mississippi State Port Authority at Gulfport		500
City of Gautier		8,550
Pascagoula River Audubon Center		867
Jackson County		2,708
Department of Commerce		705
Total	\$	<u>176,370</u>
Other State Funds		
Information Technology Services	\$	105
Indirect Cost Allocation		112,394
Total	\$	<u>112,499</u>
Component Units of the State		
Mississippi State University	\$	35,358
University of Southern Mississippi		140,175
Total	\$	<u>175,533</u>
Fund 5345300000		Due To
Other Governments		
Kiln Utility and Fire District	\$	48,058
City of Long Beach		8,935
Diamondhead Water and Sewer District		656,400
City of Bay St. Louis		454,759
City of Biloxi		1,392,341
Jackson County		68,626
Hancock County		308,494
City of Pascagoula		581,542
Total	\$	<u>3,519,155</u>
Other State Funds		
Mississippi Department of Environment Quality	\$	<u>2,245</u>
Component Units of the State		
University of Southern Mississippi	\$	427,864
Mississippi State University		223,153
Total	\$	<u>651,017</u>

All amounts due to MDMR are expected to be collected/liquidated in fiscal year 2023.

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 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 6 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 MDMR 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, 2022 for funds selected for audit, was \$1,185,251.



**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 Mississippi Department of Marine Resources (MDMR) of the State of Mississippi, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise of MDMR's basic financial statements, and have issued our report thereon dated January 10, 2023.

Report on 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 agency'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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-006, that we consider to be a material weakness.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on MDMR's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. MDMR's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
January 10, 2023

**STATE OF MISSISSIPPI
DEPARTMENT OF MARINE RESOURCES
SELECTED FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022**

2022-006 AUDIT ADJUSTMENTS

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition:

As part of the audit, we proposed material adjustments in funds 5345000000 and 3345200000 related to the recording of liabilities and the related expenditures.

Criteria or Specific Requirement:

Management is responsible for establishing and maintaining internal controls for the proper recording of all expenditures and accruals.

Effect:

The ending fund balance for funds 5345000000 and 3345200000 were materially misstated as noted below:

	<u>Fund 5345000000</u>	<u>Fund 3345200000</u>
Unadjusted Fund Balance, End of Year	\$ (505,499)	\$ 25,596,434
Adjustment - Expenditures	<u>190,229</u>	<u>746,949</u>
Adjusted Fund Balance, End of Year	<u><u>\$ (315,270)</u></u>	<u><u>\$ 26,343,383</u></u>

Cause:

Errors in reporting expenditures and related liabilities were not accurately identified in a timely manner.

Repeat finding:

Yes, 2021-004.

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 identifies errors in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the finding. Management will review the controls over recording transactions and year-end accruals.



STATE OF MISSISSIPPI

Tate Reeves
Governor

MISSISSIPPI DEPARTMENT OF MARINE RESOURCES

Joe Spraggins, Executive Director

FINANCIAL AUDIT FINDINGS

February 8, 2023

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 audit report and findings for the FY22 agency audit. Please find our response below to finding 2022-006 as well as our corrective action plan.

AUDIT FINDINGS:

2022-006 AUDIT ADJUSTMENTS

Response: The Department of Marine Resources recognizes errors in the amount of \$689,497.00. These errors were due to double accruing invoices. Of that amount, \$609,268.00 was due to recording estimates for Tidelands recipient payments as well as recording the actual invoices when we received them causing them to be double accrued. This was caused by Tidelands reallocation of funds to a different project during the lapse period and was a miscommunication between departments. We have put a procedure in place to halt any Tidelands reallocations during the lapse period to prevent this from happening in the future.

The remaining audit adjustments of \$247,681.00 were due to invoices received that were less than the estimated amount recorded as a liability. The estimates made were reasonable for the time frame we are given to complete the GAAP packet for submission to the State. We were unaware that we could continue to make adjustments after our submission if we find differences until we were advised by our agency auditors. In the future we will monitor this and report any errors found to the agency auditors for correction prior to the beginning of the audit testing to minimize any audit adjustments to our estimates.

Corrective Action Plan:

- A. The Department of Marine Resources has put a procedure in place to halt reallocations during the lapse period. We will also monitor incoming invoices after GAAP packet submission and report any errors or differences in estimated accruals found prior to audit testing to prevent further audit adjustments.
- B. Contact: Brandi Busby, Director of Finance at 228-523-4099
- C. Anticipated completion date for corrective action is June 30, 2023.

Sincerely,



Joe Spraggins
Executive Director
Mississippi Department of Marine Resources