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**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH**  
**CENTRAL OFFICE**  
(Agency 3371)  
Jackson, Mississippi

**Financial Statements**  
Year Ended June 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Mental Health  
Mississippi Department of Mental Health  
Central Office  
Jackson, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the selected funds 2237000000, 2237100000, 3337000000, 3337100000, 3337600000, 3337700000, 3337900000, 5337000000, 5337100000, 5820337100, 6238000000, 6238100000, and 6820337100 of Central Office (Agency 3371) (the "Department"), an agency within the Mississippi Department of Mental Health ("MS DMH"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements will be consolidated into the State of Mississippi's Annual Comprehensive Financial Report.

### 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.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 opinion.

### **Basis for Qualified Opinion**

Accounting principles generally accepted in the United States of America require the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") and presentation of the statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position of the same basis as reported by the respective defined benefit pension plans. The Department did not adopt the requirements under GASB 68 at the fund level and the effects on the basic financial statements could not be quantified.

Additionally, it is the policy of the MS DMH not to provide for contingent litigation at the fund level and accordingly, no assessment of such contingency or related provision has been recorded for any such matters that may have existed at June 30, 2021.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the selected funds 2237000000, 2237100000, 3337000000, 3337100000, 3337600000, 3337700000, 3337900000, 5337000000, 5337100000, 5820337100, 6238000000, 6238100000, and 6820337100 of the Department as of June 30, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Litigation**

The State of Mississippi is a defendant in a lawsuit whereby the plaintiff, the United States of America, alleges that the State's mental health system violates Title II of the Americans with Disabilities Act (the "ADA"). The Southern District Court of Mississippi issued a liability opinion and a remedial order, which imposes a number of requirements on the State regarding its mental health system. The State appealed the district court's liability opinion, and the appeal remains outstanding. The Department is not a named party in the lawsuit. Although the Department is a state agency, the district court held that the State, not the Department was in violation of Title II. Likewise, the remedial order is addressed to the State, not to the Department, however the requirements of the remedial order impact the operations of the Department. The ultimate outcome and the impacts on the financial statements and operations cannot be determined and no provision for any liability or remediation is recorded at June 30, 2021.


### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis and the required supplementary information required under GASB 68 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 opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to 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 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 the Department's internal control over financial reporting and compliance

A handwritten signature in black ink that reads "HORNE LLP". The letters are stylized and slanted to the right.

Ridgeland, Mississippi  
April 5, 2022

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
SELECTED FUNDS  
BALANCE SHEET  
June 30, 2021

	FUND 2237000000	FUND 2237100000	FUND 3337000000	FUND 3337100000	FUND 3337600000	FUND 3337700000	FUND 3337900000
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in State Treasury funds	18,707,540	50,301	7,222,509	32,363	8,363,051	101	3,439
Accounts receivable, net	-	-	-	1,006,427	-	-	-
Due from other State agencies	-	-	-	917,538	-	-	-
Due from Federal government	-	-	-	-	-	-	-
Total current assets	18,707,540	50,301	7,222,509	1,956,328	8,363,051	101	3,439
Capital assets, net	-	-	-	205,044	814,934	-	-
Total assets	\$ 18,707,540	\$ 50,301	\$ 7,222,509	\$ 2,161,372	\$ 9,177,985	\$ 101	\$ 3,439
<b>LIABILITIES AND FUND BALANCE</b>							
Book overdraft in bank accounts	\$ 14,904	\$ 36,084	\$ -	\$ 34,077	\$ 17,148	\$ -	\$ 149
Accounts payable	1,844,956	9,552	16,113	75,369	528,107	-	-
Due to other State agencies	9,822,107	-	-	89,899	60,000	-	-
Due to grantees	3,233,817	-	-	461	291,450	-	-
Total liabilities	14,915,784	45,636	16,113	199,806	896,705	-	149
Fund balance (deficit)							
Nonspendable	-	-	7,156,404	5,441,325	3,062,085	100	1,830,429
Committed	2,756,056	(320,603)	-	-	-	-	-
Assigned	-	-	-	207,620	814,934	-	-
Unassigned	1,035,700	325,268	49,992	(3,687,379)	4,404,261	1	(1,827,139)
Total fund balance	3,791,756	4,665	7,206,396	1,961,566	8,281,280	101	3,290
Total liabilities and fund balance	\$ 18,707,540	\$ 50,301	\$ 7,222,509	\$ 2,161,372	\$ 9,177,985	\$ 101	\$ 3,439

See accompanying notes to the financial statements.



MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
SELECTED FUNDS  
BALANCE SHEET  
June 30, 2021

	FUND 5337000000	FUND 5337100000	FUND 5820337100	FUND 6238000000	FUND 6238100000	FUND 6820337100	TOTAL
<b>ASSETS</b>							
Cash and cash equivalents	\$ 68,962	\$ -	\$ -	\$ -	\$ -	\$ -	68,962
Equity in State Treasury funds	(8,230,089)	(7,706,631)	(359,498)	462,314	9,116	-	18,554,516
Accounts receivable, net	-	-	-	-	-	-	1,006,427
Due from other State agencies	-	-	-	-	-	-	917,538
Due from Federal government	8,012,372	7,481,798	510,615	-	-	-	16,004,785
Total current assets	(148,755)	(224,833)	151,117	462,314	9,116	-	36,552,228
Capital assets, net	-	2,600	-	-	-	-	1,022,578
Total assets	\$ (148,755)	\$ (222,233)	\$ 151,117	\$ 462,314	\$ 9,116	\$ -	\$ 37,574,806
<b>LIABILITIES AND FUND BALANCE</b>							
Book overdraft in bank accounts	\$ -	\$ 105,647	\$ 397	\$ -	\$ 5,990	\$ -	214,396
Accounts payable	677,541	1,605,107	82,528	261,177	473	-	5,100,923
Due to other State agencies	54,735	-	-	58,296	-	-	10,085,037
Due to grantees	545,937	375,967	68,192	163,822	-	-	4,679,646
Total liabilities	1,278,213	2,086,721	151,117	483,295	6,463	-	20,080,002
Fund balance (deficit)							
Nonspendable	78,694	1,324,442	-	-	-	-	18,893,479
Committed	-	-	-	121,123	330,603	-	2,887,179
Assigned	-	3,250	-	-	-	-	1,025,804
Unassigned	(1,505,662)	(3,636,646)	-	(142,104)	(327,950)	-	(5,311,658)
Total fund balance (deficit)	(1,426,968)	(2,308,954)	-	(20,981)	2,653	-	17,494,804
Total liabilities and fund balance (deficit)	\$ (148,755)	\$ (222,233)	\$ 151,117	\$ 462,314	\$ 9,116	\$ -	\$ 37,574,806

See accompanying notes to the financial statements.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
SELECTED FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2021

	FUND 2237000000	FUND 2237100000	FUND 3337000000	FUND 3337100000	FUND 3337600000	FUND 3337700000	FUND 3337900000
<b>Revenues</b>							
State of Mississippi General Fund appropriations	\$ 64,698,081	\$ 2,442,325	\$ -	\$ -	\$ -	\$ -	\$ -
State of Mississippi Healthcare Fund appropriations	-	-	-	-	-	-	-
Federal grant administrative revenue	-	-	-	1,006,427	-	-	-
Liquor tax revenue	-	-	-	-	11,132,115	-	-
Other revenue	-	-	135,000	599,442	15,466	-	-
Total revenues	64,698,081	2,442,325	135,000	1,605,869	11,147,581	-	-
<b>Expenditures</b>							
Salaries and fringe benefits	-	2,072,410	-	1,906,494	1,425,274	-	-
Travel	-	17,605	-	52,907	7,826	-	-
Contractual services	233,301	25,972	-	2,230,249	509,961	-	-
Depreciation and capital outlay	-	-	-	4,637,397	-	-	-
Federal grant pass-through expense	41,426,177	-	85,008	83,182	6,487,483	-	-
Other expenditures	2,796	1,070	-	125,539	19,915	-	-
Total expenditures	41,662,274	2,117,057	85,008	9,035,768	8,450,459	-	-
Excess (deficit) of revenues over (under) expenditures	23,035,807	325,268	49,992	(7,429,899)	2,697,122	-	-
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	4,072,410	1,827,139	-	(1,827,139)
Transfers out	(22,000,107)	-	-	(329,890)	(120,000)	-	-
Interest income	-	-	-	-	-	1	-
Total financing uses	(22,000,107)	-	-	3,742,520	1,707,139	1	(1,827,139)
Excess (deficit) of revenues and other financing sources (uses) over (under) expenditures	1,035,700	325,268	49,992	(3,687,379)	4,404,261	1	(1,827,139)
Fund balance (deficit), beginning of year	2,756,056	(320,603)	7,156,404	5,648,945	3,877,019	100	1,830,429
Fund balance (deficit), end of year	\$ 3,791,756	\$ 4,665	\$ 7,206,396	\$ 1,961,566	\$ 8,281,280	\$ 101	\$ 3,290

See accompanying notes to the financial statements.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
SELECTED FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2021

	FUND 5337000000	FUND 5337100000	FUND 5820337100	FUND 6238000000	FUND 6238100000	FUND 6820337100	TOTAL
<b>Revenues</b>							
State of Mississippi General Fund appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	67,140,406
State of Mississippi Healthcare Fund appropriations	-	-	-	9,001,747	661,206	1,400,000	11,062,953
Federal grant administrative revenue	16,717,417	10,706,202	999,110	-	-	-	29,429,156
Liquor tax revenue	-	-	-	-	-	-	11,132,115
Other revenue	-	13,069	-	-	-	-	762,977
Total revenues	16,717,417	10,719,271	999,110	9,001,747	661,206	1,400,000	119,527,607
<b>Expenditures</b>							
Salaries and fringe benefits	-	404,910	80,776	-	978,683	-	6,868,547
Travel	-	1,011	285	-	473	-	80,107
Contractual services	38,130	442,512	79,393	-	-	-	3,559,518
Depreciation and capital outlay	-	650	-	-	-	-	4,638,047
Federal grant pass-through expense	18,128,831	11,969,583	791,924	3,513,784	-	1,361,193	83,847,165
Other expenditures	1,382	1,377,973	46,732	-	-	38,807	1,614,214
Total expenditures	18,168,343	14,196,639	999,110	3,513,784	979,156	1,400,000	100,607,598
Excess (deficit) of revenues over (under) expenditures	(1,450,926)	(3,477,368)	-	5,487,963	(317,950)	-	18,920,009
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	4,072,410
Transfers out	(54,736)	(159,278)	-	(5,630,067)	(10,000)	(2,634)	(28,306,712)
Interest income	-	-	-	-	-	2,634	2,635
Total financing sources (uses)	(54,736)	(159,278)	-	(5,630,067)	(10,000)	-	(24,231,667)
Excess (deficit) of revenues and other financing sources (uses) over (under) expenditures	(1,505,662)	(3,636,646)	-	(142,104)	(327,950)	-	(5,311,658)
Fund balance (deficit), beginning of year	78,694	1,327,692	-	121,123	330,603	-	22,806,462
Fund balance (deficit), end of year	\$ (1,426,968)	\$ (2,308,954)	\$ -	\$ (20,981)	\$ 2,653	\$ -	\$ 17,494,804

See accompanying notes to the financial statements.

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH**  
**CENTRAL OFFICE**  
**SELECTED FUNDS**  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Significant Accounting Policies**

Background Information

Central Office (the "Department") is a Mississippi State Agency directly under the Mississippi Department of Mental Health ("MS DMH") whose main function is to manage the operations and strategic initiative of MS DMH while ensuring services are provided at the highest quality and cost-effective means. The Department also serves as a conduit through which certain federal and state funds for persons with intellectual and developmental disabilities, substance abuse, and/or those with mental illnesses flow to various sub-grantees. The Department has three major areas that help carry out its goals and objectives including:

1. Institutional Services – the Department currently operates six residential inpatient facilities in the State of Mississippi.
2. Auditing, Monitoring and Certification – the Department licenses service providers throughout the entire state. The Department conducts onsite visits and requests self-assessments in order to ensure providers' compliance with operational standards. The Department regularly audits service providers as well as performing an annual review of the providers' operating plans and reports if they receive funding from the Department.
3. Grants Management – the Department funds hundreds of separate grants with service providers per year. In order to provide funding, the Department reviews and approves a detailed annual request from the service provider. Once approved, the Department will reimbursement service providers' expenses. The Department has the additional responsibility of ensuring service providers are complying with grant guidelines prior to reimbursement.

The consolidated financial statements include the selected funds identified below, which are held by the Department. All significant fund accounts and transactions have been eliminated in consolidation.

Purpose of General Funds

*Fund 2237000000* – is related to the general fund for operations and subsidies for mental health services, primarily used for subrecipient grants to community providers and Medicaid ID/DD Waiver state share.

*Fund 2237100000* – is related to the general fund for operations of Services Management administration.

*Fund 3337000000* – is related to grant revenues received from the Department of Education and any associated expenditures.

*Fund 3337100000* – is related to special fund for operations of Services Management.

*Fund 3337600000* – is related to special fund for Alcohol and Drug Services, primarily used for subrecipient grants to providers and administration of operations.

*Fund 3337700000* – is related to special fund for Crisis Center subrecipient grants.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Continued**

*Fund 3337900000* – is related to State revenues received for alcohol tax and any associated expenditures.

*Fund 5337000000* – is related to expenditures and revenues for federal reimbursement, mainly block grants.

*Fund 5337100000* – is related to expenditures and revenues for discretionary federal reimbursable grants.

*Fund 5820337100* – is related to grant revenues received for COVID-19 and any associated expenditures.

*Fund 6238000000* – is related to operations and subsidies for mental health services, primarily used for subrecipient grants to community providers and Medicaid ID/DD Waiver state share.

*Fund 6238100000* – is related to operations of Services Management administration.

*Fund 6820337100* – is related to grant revenues received for COVID-19 and any associated expenditures.

Basis of Presentation

The accompanying fund financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

Fund Accounting

The financial activities of the Department are recorded in individual funds and account groups used to report financial position and changes in fund balance. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The Department funds presented herein utilize the governmental fund category, which is further divided into separate "fund types". General funds are used to account for the proceeds of revenue sources that are not legally restricted to expenditures for specified purposes. Special revenue funds are intended to be used to report specific revenue sources that are limited to being used for a particular purpose.

Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available, and expenditures are generally recognized when they are incurred.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Continued**

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues, expenditures and other changes in fund balances during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash held in checking accounts.

Equity in State Treasury

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

Accounts Receivables

Accounts receivable is for the indirect costs associated with the federal grants managed by the Department that are due at fiscal year end and as such is reported at the amount that reflects the consideration to which the Department expects to be entitled. The Department determined that no allowance for uncollectible accounts was necessary at June 30, 2021.

Due To and Due From

Transactions between other State agencies, including other Department funds, that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as due from or due to other State agencies. The Department also has a due from the federal government related to the amount of draw-down funds required by the Department based on the grants it manages.

Compensated Absences

The Department provides paid leave, which generally will accumulate or carry over if not used by the employee. GASB requires such paid leave benefits to be accrued as a liability at each balance sheet date; however, it is the policy of the MS DMH and the Department not to accrue for such liability. In accordance with this reporting policy, the Department did not record a provision for this liability at June 30, 2021 or 2020. The impact cannot be reasonably quantified.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from three to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Federal Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenue when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Continued**

Medicaid Match

Medicaid is jointly funded by the federal government and the states. The federal government's share of most Medicaid expenditures is called the federal medical assistance percentage ("FMAP") and the remainder is referred to as the state share. The FMAP rate is generally determined annually and has a statutory minimum of 50 percent and a statutory maximum of 83 percent. Mississippi's weighted average FMAP rate for the state fiscal year ended June 30, 2021 was 77.565 percent.

During the Coronavirus Disease 2019 ("COVID-19") public health emergency period, the Family First Coronavirus Response Act ("FFCRA") provided a 6.2 percentage point increase to the regular FMAP rates for all states beginning on January 1, 2020 through the last day of the calendar quarter in which the COVID-19 public health emergency period ended. Receipt of the FFCRA FMAP increase by a state was subject to meeting certain conditions.

Transfers In and Transfers Out

Transactions for services rendered by one State agency, including other Department funds, to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of expenditures made by one State agency, including other Department funds, for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers to and transfers from other State agencies represent flows of assets between funds of the State without equivalent flows of assets in return and without a requirement for payment.

Risk Management

The Department is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters. The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The State of Mississippi utilizes the internal service Risk Management Fund to account for these activities.

It is the policy of the MS DMH not to record any estimate liabilities and contingencies in the financial statements of the Department until such time as specific expenses are allocated. Accordingly, the Department's financial statements do not reflect any such liabilities or contingencies and potential disclosures related to litigation and risk that could be reasonably estimated and quantified prior to the issuance of these financial statements.

Fund Balances

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

*Unassigned* – the residual classification for the general fund and includes all amounts not contained in the other classifications.

*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.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Continued**

*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 Mississippi State Legislature ("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.

The Department 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. Equity in State Treasury Funds**

Custodial credit risk is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Department's 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 State's funds are protected through a collateral pool administered by the Mississippi 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 Mississippi State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Note 3. Interfund Transfers, Due To and Due From**

At June 30, 2021, due from other State agencies, including other department funds, consisted of:

	<u>June 30, 2021</u>
Department of Public Safety	\$ 391,810
East Mississippi State Hospital	165,577
Division of Medicaid	163,558
Various	135,589
Mississippi State Hospital	<u>61,004</u>
Total due from other State agencies	<u>\$ 917,538</u>



**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 3. Continued**

At June 30, 2021, due to other State agencies, including other department funds, consisted of:

	<u>June 30, 2021</u>
Division of Medicaid	\$ 9,798,112
Department of Finance and Administration	89,899
Department of Rehabilitation	60,000
Department of Health	54,735
Boswell Regional Center	49,400
Various	32,891
Total due to other State agencies	<u>\$ 10,085,037</u>

At June 30, 2021, due to grantees consisted of:

	<u>June 30, 2021</u>
Region IV Mental Health Services (Region 4)	\$ 706,187
Region 8 Mental Health Services (Region 8)	674,198
Life Help (Region 6)	593,049
Weems Community Mental Health Center (Region 10)	527,254
Hinds Behavioral Health Service (Region 9)	431,592
Region One Mental Health Center (Region 1)	381,243
Singing River Services (Region 14)	375,197
LIFECORE Health Group (Region 3)	335,288
A Clear Path: Southwest MS Mental Health (Region 11)	269,632
Pine Belt Mental Health Resources (Region 12)	160,000
Various	152,649
Warren-Yazoo Behavioral Health Services (Region 15)	73,357
Total due to grantees	<u>\$ 4,679,646</u>

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH  
CENTRAL OFFICE  
SELECTED FUNDS  
Year Ended June 30, 2021**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3. Continued**

Transfers from and (to) other State agencies, including other Department funds, for the year ended June 30, 2021 consisted of:

	<b>Transfers In</b>	<b>Transfers Out</b>
Various	\$ 1,608,624	\$ -
Division of Medicaid	620,258	28,306,812
Department of Corrections	432,396	-
Boswell Regional Center	429,969	-
Mississippi State Hospital	365,645	-
Ellisville State School	238,573	-
East Mississippi State Hospital	191,769	-
North Mississippi Regional Center	132,280	-
Hudspeth Regional Center	52,896	-
Total	<u>\$ 4,072,410</u>	<u>\$ 28,306,812</u>

**Note 4. Capital Assets**

The Department's investment in capital assets consisted of the following as of June 30, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Construction in progress	\$ 1,014,954	\$ -	\$ -	\$ 1,014,954
Fixed equipment and major moveable	558,316	-	(18,887)	539,429
Less accumulated depreciation	(547,466)	(3,226)	18,887	(531,805)
Total depreciable capital assets, net	<u>10,850</u>	<u>(3,226)</u>	<u>-</u>	<u>7,624</u>
Capital assets, net	<u>\$ 1,025,804</u>	<u>\$ (3,226)</u>	<u>\$ -</u>	<u>\$ 1,022,578</u>

For the year ended June 30, 2021, depreciation expense was approximately \$3,000.

**Note 5. Defined Benefit Pension Plan**

The Department participates in the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by Mississippi State law and may be amended only by the State of Mississippi Legislature (the "State Legislature"). PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS.

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH**  
**CENTRAL OFFICE**  
**SELECTED FUNDS**  
Year Ended June 30, 2021

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 5. Continued**

During 2021, PERS members were required to contribute 9 percent of their annual covered salary and the Department is required to contribute at an actuarially determined rate, which was 17.40 percent of annual covered payroll. The contribution requirements of PERS members are established and may only be amended by the State Legislature. During 2021, the Department incurred expenditures of approximately \$607,000, in connection with required contributions to PERS.

Effective July 2014, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") required state and local governments to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Department did not adopt the requirements of GASB 68 at the fund level and as such the impact of GASB 68 has not been recorded in the accompanying financial statements of the Department. This impact cannot be reasonably quantified.

**Note 6. Contingencies and Commitments**

The Department has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Department. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

In August 2016, the United States sued the State of Mississippi in the United States District Court for the Southern District of Mississippi alleging that the State's mental health system violates Title II of the Americans with Disabilities Act (the "ADA") and in September 2019, the district court issued a liability opinion holding that the State was in violation of Title II of the ADA. In September 2021, the district court issued a remedial order which imposed a number of requirements on the State regarding its mental health system. In October 2021, the State appealed the district court's liability opinion and orders to the United States Court of Appeals for the Fifth Circuit. The appeal currently remains pending. The Department is not a named party in the lawsuit. Likewise, the remedial order is addressed to the State, not the Department, however the requirements of the remedial order impact the operation of the State's mental health system. The ultimate outcome and the impacts on the financial statements and operations cannot be determined and no provision for any liability or remediation is recorded at June 30, 2021.

**Note 7. Subsequent Events**

The Department has evaluated subsequent events through April 5, 2022, which is the date the financial statements were available to be issued.



**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Mississippi Department of Mental Health  
Mississippi State Hospital  
Pearl, 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 financial statements of the selected funds 2237000000, 2237100000, 3337000000, 3337100000, 3337600000, 3337700000, 3337900000, 5337000000, 5337100000, 5820337100, 6238000000, 6238100000, and 6820337100 of Mississippi State Hospital (Agency 3374) (the "Department"), an agency within the Mississippi Department of Mental Health ("MS DMH"), which comprise the balance sheet as of June 30, 2021 and the related statement of revenues, expenditures and changes in fund balances for the year then ended and the related notes to the financial statements and have issued our report thereon dated April 5, 2022, which contained a qualified opinion with an Other Matter paragraph regarding the omission of management's discussion and analysis.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Department'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements of the selected funds 2237000000, 2237100000, 3337000000, 3337100000, 3337600000, 3337700000, 3337900000, 5337000000, 5337100000, 5820337100, 6238000000, 6238100000, and 6820337100 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "HORNE LLP". The letters are stylized and slanted to the right.

Ridgeland, Mississippi  
April 5, 2022