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

**Financial Statements
Year Ended June 30, 2022**

CONTENTS

Independent Auditor's Report	1 – 3
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Financial Statements	
Balance Sheet	4 – 5
Statement of Revenues, Expenditures and Changes in Fund Balances	6 – 7
Notes to Financial Statement	8 – 15
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 <i>Government Auditing Standards</i>	16 – 17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit the Financial Statements

Opinion

We have audited the accompanying financial statements of the Selected Funds 2237000000, 2237100000, 3337000000, 3337100000, 3337600000, 3337700000, 3337900000, 5337000000, 5337100000, 5820337100, 6238000000, 6238100000, 6437E00000 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, 2022 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents of the Selected Funds. These financial statements will be consolidated into the State of Mississippi's Annual Comprehensive Financial Report ("ACFR").

In our opinion 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, 6437E00000 and 6820337100 of the Department as of June 30, 2022 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.

Basis for Opinion

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* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department, 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 audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Selected Funds and do not purport to, and do not present fairly the financial position of the Department, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 1, it is the policy MS DMH to account for certain transactions at the ACFR level, and therefore those transactions are not reflected in these financial statements.

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.

Auditor's 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 auditor's report that includes our opinion. 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 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, 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 the Department'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 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 opinion on the basic financial statements is not affected by this missing information.

Report on Other Reporting Required by Governmental Auditing Standards

In accordance with GAS, we have also issued our report dated January 3, 2023, 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 effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Department's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
January 3, 2023

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
 SELECTED FUNDS
 BALANCE SHEET
 June 30, 2022

	FUND 2237000000	FUND 2237100000	FUND 3337000000	FUND 3337100000	FUND 3337600000	FUND 3337700000	FUND 3337900000
ASSETS							
Equity in internal investment pool	\$ 20,020,261	\$ 60,378	\$ 7,378,886	\$ 247,610	\$ 11,161,474	\$ -	\$ -
Cash and cash equivalents	-	-	-	2,200	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	(33,642)	-	-	-
Prepays	9,674,323	-	-	-	-	-	-
Total assets	\$ 29,694,584	\$ 60,378	\$ 7,378,886	\$ 216,168	\$ 11,161,474	\$ -	\$ -
LIABILITIES AND FUND BALANCE							
Warrants payable	\$ 143,045	\$ 8,216	\$ -	\$ 29,937	\$ 16,937	\$ -	\$ -
Accounts payable	535,603	-	-	100,826	288,552	-	-
Due to other governments	-	-	14,832	338,763	520,427	-	-
Due to other funds	12,778,836	-	-	2,108	18,170	-	-
Due to component units	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	13,457,484	8,216	14,832	471,634	844,086	-	-
Fund balance (deficit)							
Restricted							
Health and social services	-	-	7,206,395	1,756,519	7,466,347	-	-
Committed							
Health and social services	3,791,756	4,664	-	-	-	-	-
Unassigned	12,445,344	47,498	157,659	(2,011,985)	2,851,041	-	-
Total fund balance (deficit)	16,237,100	52,162	7,364,054	(255,466)	10,317,388	-	-
Total liabilities and fund balance	\$ 29,694,584	\$ 60,378	\$ 7,378,886	\$ 216,168	\$ 11,161,474	\$ -	\$ -

See accompanying notes to the financial statements.

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
SELECTED FUNDS
BALANCE SHEET
June 30, 2022**

	FUND 5337000000	FUND 5337100000	FUND 5820337100	FUND 6238000000	FUND 6238100000	FUND 6437E00000	FUND 6820337100	TOTAL
ASSETS								
Equity in internal investment pool	\$ (5,736,307)	\$ (4,866,777)	\$ (617,428)	\$ 5,166,524	\$ 7,444	\$ 568,085	\$ -	\$ 33,390,150
Cash and cash equivalents	-	-	-	-	-	-	-	2,200
Due from other governmentns	5,338,613	3,897,876	2,332,313	-	-	-	-	11,568,802
Due from other funds	-	-	-	-	-	-	-	(33,642)
Prepays	-	-	-	4,123,956	-	-	-	13,798,279
Total assets	\$ (397,694)	\$ (968,901)	\$ 1,714,885	\$ 9,290,480	\$ 7,444	\$ 568,085	\$ -	\$ 58,725,789
LIABILITIES AND FUND BALANCE								
Warrants payable	\$ (68,962)	\$ 75,303	\$ 10,617	\$ -	\$ 725	\$ -	\$ -	\$ 215,818
Accounts payable	240,584	516,643	755,675	43,147	-	-	-	2,481,030
Due to other governments	653,073	810,265	423,966	887,121	-	18,346	-	3,666,793
Due to other funds	53,049	-	391,810	4,123,956	-	-	-	17,367,929
Due to component units	19,801	202,888	35,922	109,519	-	-	-	368,130
Unearned revenues	2,346,032	640,368	-	-	-	-	-	2,986,400
Total liabilities	3,243,577	2,245,467	1,617,990	5,163,743	725	18,346	-	27,086,100
Fund balance (deficit)								
Restricted								
Health and social services	(1,426,967)	(2,311,550)	-	-	-	-	-	12,690,744
Committed								
Health and social services	-	-	-	(20,980)	2,653	-	-	3,778,093
Unassigned								
	(2,214,304)	(902,818)	96,895	4,147,717	4,066	549,739	-	15,170,852
Total fund balance (deficit)	(3,641,271)	(3,214,368)	96,895	4,126,737	6,719	549,739	-	31,639,689
Total liabilities and fund balance (deficit)	\$ (397,694)	\$ (968,901)	\$ 1,714,885	\$ 9,290,480	\$ 7,444	\$ 568,085	\$ -	\$ 58,725,789

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, 2022

	FUND 2237000000	FUND 2237100000	FUND 3337000000	FUND 3337100000	FUND 3337600000	FUND 3337700000	FUND 3337900000
Revenues							
Federal grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	11,215,220	-	-
Licenses, fees, and permits	-	-	-	87,417	-	-	-
Charges for sales and services	-	-	-	500	-	-	-
Other revenue	-	-	442,784	276,441	-	-	-
Total revenues	-	-	442,784	364,358	11,215,220	-	-
Expenditures							
Salaries and fringe benefits	67,667	2,368,127	-	2,143,138	1,367,127	-	-
Travel	-	20,011	-	86,255	10,991	-	-
Contractual services	206,721	29,526	4,500	3,436,560	1,228,040	-	-
Commodities	-	-	-	97,672	59,927	-	-
Capital outlay	-	-	-	(2,300)	-	-	-
Subsidies	33,182,731	-	280,625	34,402	5,220,346	-	-
Total expenditures	33,457,119	2,417,664	285,125	5,795,727	7,886,431	-	-
Excess (deficit) of revenues over (under) expenditures	(33,457,119)	(2,417,664)	157,659	(5,431,369)	3,328,789	-	-
Other financing sources (uses):							
Transfers in	71,507,325	2,465,162	-	3,419,798	-	-	-
Transfers out	(25,604,862)	-	-	(414)	(477,748)	-	-
Total financing sources (uses)	45,902,463	2,465,162	-	3,419,384	(477,748)	-	-
Excess (deficit) of revenues and other financing sources (uses) over (under) expenditures	12,445,344	47,498	157,659	(2,011,985)	2,851,041	-	-
Fund balance (deficit), beginning of year	3,791,756	4,664	7,206,395	1,756,519	7,466,347	-	-
Fund balance (deficit), end of year	\$ 16,237,100	\$ 52,162	\$ 7,364,054	\$ (255,466)	\$ 10,317,388	-	-

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, 2022

	FUND 533700000	FUND 5337100000	FUND 5820337100	FUND 6238000000	FUND 6238100000	FUND 6437E00000	FUND 6820337100	TOTAL
Revenues								
Federal grant revenue	\$ 17,962,511	\$ 12,298,504	\$ 3,747,361	\$ -	\$ -	\$ -	\$ -	\$ 34,008,376
Taxes	-	-	-	-	-	-	-	11,215,220
Licenses, fees, and permits	-	-	-	-	-	-	-	87,417
Charges for sales and services	-	-	-	-	-	-	-	500
Other revenue	-	16,616	-	-	-	-	-	735,841
Total revenues	<u>17,962,511</u>	<u>12,315,120</u>	<u>3,747,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,047,354</u>
Expenditures								
Salaries and fringe benefits	-	663,909	51,533	-	656,098	-	-	7,317,599
Travel	-	1,950	187	-	1,042	-	-	120,436
Contractual services	462,524	674,208	177,603	-	-	-	-	6,219,682
Commodities	10,593	29,179	14,017	-	-	-	-	211,388
Capital outlay	-	-	-	-	-	-	-	(2,300)
Subsidies	19,154,460	11,231,148	3,407,126	3,041,514	-	50,261	-	75,602,613
Total expenditures	<u>19,627,577</u>	<u>12,600,394</u>	<u>3,650,466</u>	<u>3,041,514</u>	<u>657,140</u>	<u>50,261</u>	<u>-</u>	<u>89,469,418</u>
Excess (deficit) of revenues over (under) expenditures	(1,665,066)	(285,274)	96,895	(3,041,514)	(657,140)	(50,261)	-	(43,422,064)
Other financing sources (uses):								
Transfers in	-	93,317	391,810	9,001,747	661,206	600,000	-	88,140,365
Transfers out	(549,238)	(710,861)	(391,810)	(1,812,516)	-	-	-	(29,547,449)
Total financing sources (uses)	<u>(549,238)</u>	<u>(617,544)</u>	<u>-</u>	<u>7,189,231</u>	<u>661,206</u>	<u>600,000</u>	<u>-</u>	<u>58,592,916</u>
Excess (deficit) of revenues and other financing sources (uses) over (under) expenditures	(2,214,304)	(902,818)	96,895	4,147,717	4,066	549,739	-	15,170,852
Fund balance (deficit), beginning of year	(1,426,967)	(2,311,550)	-	(20,980)	2,653	-	-	16,468,837
Fund balance (deficit), end of year	<u>\$ (3,641,271)</u>	<u>\$ (3,214,368)</u>	<u>\$ 96,895</u>	<u>\$ 4,126,737</u>	<u>\$ 6,719</u>	<u>\$ 549,739</u>	<u>\$ -</u>	<u>\$ 31,639,689</u>

See accompanying notes to the financial statements.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
CENTRAL OFFICE
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

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 initiatives 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; and
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.

MS DMH is a state agency included in the State of Mississippi's Annual Comprehensive Financial Report ("ACFR"). 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, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

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 6437E00000 – is related to grant revenues appropriated by the legislature for specific mental health services

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"). These financial statements do not constitute a complete presentation because they do not present the government-wide financial statements, reconciliations to the government-wide financial statements, management's discussions and analysis, or budgetary information. Additionally, it is the policy of MS DMH to account for certain transactions at the ACFR level, including transactions associated with the following:

- GASB No. 68, *Accounting and Financial Reporting for Pensions*;
- GASB No. 87, *Leases*;
- Compensated absences; and
- Certain contingent liabilities, including litigation.

Therefore, these transactions are not included in these fund financial statements.

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, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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.

Account Classification

The account classifications used in the financial statement conform to the classifications recommended in *Government Accounting, Auditing & Financial Reporting* as issued by the Government Finance Officers Association

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 Internal Investment Pool

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

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.

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, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Prepays

Prepays related to the Medicaid Match are amortized over the period of benefit based on the monthly state share billed to the Department.

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, 2022 was 78.31 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.

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.

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 estimated 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.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
CENTRAL OFFICE
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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.

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.

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
CENTRAL OFFICE
SELECTED FUNDS
Year Ended June 30, 2022**

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Interfund Transfers, Due To and Due From

At June 30, 2022, due from (to) other governments consisted of:

	Due From	Due To
HHS	\$ 11,568,802	\$ -
North MS Community College	-	(146,820)
Pine Belt Mental Health Association	-	(410,732)
Region 4 Timber Hills	-	(188,049)
Region 1 Mental Health Commission	-	(325,282)
Region 3 Mental Health Center	-	(184,421)
Region 6 Mental Health Center	-	(252,346)
Region 7 Community Counseling	-	(184,580)
Warren-Yazoo Behavioral Health	-	(171,417)
Weems Mental Health Center	-	(123,874)
Hinds Behavioral Health Services	-	(173,861)
Region 14 Singing River Mental Health	-	(185,476)
Region 8 Mental Health Commission	-	(201,520)
Various	-	(779,652)
West Rankin Utility Authority	-	(338,763)
Total due from (to) other governments	<u>\$ 11,568,802</u>	<u>\$ (3,666,793)</u>

At June 30, 2022, due from (to) other funds consisted of:

	Due From	Due To
Division of Medicaid	\$ (33,642)	\$ (5,836,047)
Department of Finance and Administration	-	(11,020,275)
Department of Mental Health	-	(391,810)
Department of Health	-	(53,049)
Boswell Regional Center	-	(49,400)
East Mississippi State Hospital	-	(17,345)
Office of the State Auditor	-	(3)
Total due to other State agencies	<u>\$ (33,642)</u>	<u>\$ (17,367,929)</u>

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
CENTRAL OFFICE
SELECTED FUNDS
Year Ended June 30, 2022**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. Continued

At June 30, 2022, due to component units consisted of:

	Due To
Alcorn State University	\$ (10,211)
Mississippi State University	(201,550)
University of Southern Mississippi	(120,446)
Jackson State University	(22,013)
University of Mississippi Medical Center	(13,909)
Total due to grantees	\$ (368,130)

Transfers from and (to) other State agencies, including other department funds, occurring through June 30, 2022 consisted of:

	Transfers In	Transfers Out
Various	\$ 524,411	\$ (638,385)
Division of Medicaid	326,992	(16,395,206)
Department of Corrections	1,017,217	-
Boswell Regional Center	210,684	(350,672)
Mississippi State Hospital	534,904	-
Ellisville State School	477,146	-
East Mississippi State Hospital	293,420	-
North Mississippi Regional Center	334,897	-
Hudspeth Regional Center	219,284	-
HETF	(9,288,934)	-
Office of the State Treasury	19,551,886	-
State General Appropriations	73,938,458	-
Department of Finance and Administration	-	(11,000,000)
Department of Health	-	(351,376)
Department of Mental Health	-	(391,810)
Department of Rehabilitation Services	-	(420,000)
Total	\$ 88,140,365	\$ (29,547,449)

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
CENTRAL OFFICE
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 4. 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.

During 2022, PERS members were required to contribute nine 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 2022, the Department incurred expenditures of approximately \$589,000, in connection with required contributions to PERS.

Note 5. 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 the fund level as of June 30, 2022.

Note 6. Subsequent Events

The Department has evaluated subsequent events through January 3, 2023, 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, 6437E0000, 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, 2022 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 January 3, 2023, which contained a unmodified opinion with an Emphasis Matter paragraph and the omission of management's discussion and analysis from the Required Supplementary Information paragraph.

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") as a basis for designing 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, 6437E00000, 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.



Ridgeland, Mississippi
January 3, 2023