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MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
(Agency 3374)
Pearl, Mississippi

Financial Statements
Year Ended June 30, 2022

CONTENTS

Independent Auditor's Report	1 – 3
------------------------------	-------

Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Notes to Financial Statement	6 – 12
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>	13 – 14



INDEPENDENT AUDITOR'S REPORT

Board of Mental Health
Mississippi Department of Mental Health
Mississippi State Hospital
Pearl, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Selected Funds 2237400000, 3337400000, 5337400000, 5820337400, 6239900000, 8836100000, 8836500000, 8836800000, and 8836900000 of Mississippi State Hospital (Agency 3374) (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Selected Funds 2237400000, 3337400000, 5337400000, 5820337400, 6239900000, 8836100000, 8836500000, 8836800000, and 8836900000 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 described in Note 1, it is the policy of MS DMH to account for certain transactions at the ACFR level. 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 11, 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 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 11, 2023

**MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
BALANCE SHEET
As of June 30, 2022**

	FUND 2237400000	FUND 3337400000	FUND 5820337400	FUND 6239900000	FUND 8836100000	FUND 8836500000	FUND 8836800000	FUND 8836900000	TOTAL
ASSETS									
Cash and cash equivalents	\$ -	\$ 500	\$ -	\$ -	\$ 1,400	\$ 2,000	\$ 7,581	\$ 38,525	\$ 50,006
Equity in internal investment pool	2,095,274	16,744,286	746,335	4,600	-	-	-	-	19,590,495
Accounts receivable, net	-	738,138	-	-	-	-	-	-	738,138
Inventory	-	2,076,605	-	-	-	-	-	-	2,076,605
Total assets	\$ 2,095,274	\$ 19,559,529	\$ 746,335	\$ 4,600	\$ 1,400	\$ 2,000	\$ 7,581	\$ 38,525	\$ 22,455,244
LIABILITIES AND FUND BALANCE									
Warrants payable	\$ 273,239	\$ 144,972	\$ 7,327	\$ 4,600	\$ -	\$ -	\$ -	\$ -	\$ 430,138
Accounts payable	1,702,037	2,451,760	(175,865)	-	-	-	-	-	3,977,932
Due to other funds	119,999	1,632,221	-	-	-	-	-	-	1,752,220
Unearned revenue	-	-	897,143	-	-	-	-	-	897,143
Total liabilities	2,095,275	4,228,953	728,605	4,600	-	-	-	-	7,057,433
Fund balances									
Nonspendable									
Inventories	-	2,076,605	-	-	-	-	-	-	2,076,605
Restricted									
Health and Social Services	-	16,600,535	(53,461)	-	1,400	2,000	7,581	38,525	16,596,580
Committed									
Health and Social Services	741,674	-	-	65	-	-	-	-	741,739
Unassigned	(741,675)	(3,346,564)	71,191	(65)	-	-	-	-	(4,017,113)
Total fund balance (deficit)	(1)	15,330,576	17,730	-	1,400	2,000	7,581	38,525	15,397,811
Total liabilities and fund balance	\$ 2,095,274	\$ 19,559,529	\$ 746,335	\$ 4,600	\$ 1,400	\$ 2,000	\$ 7,581	\$ 38,525	\$ 22,455,244

See accompanying notes to the financial statements.

**MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2022**

	FUND 2237400000	FUND 3337400000	FUND 5820337400	FUND 6239900000	FUND 8836100000	FUND 8836500000	FUND 8836800000	FUND 8836900000	TOTAL
REVENUES									
Licenses, fees and permits	\$ -	\$ 9,106,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,106,299
Federal grant revenue	-	-	354,070	-	-	-	-	-	354,070
Other revenue	-	48,546	-	-	-	-	-	-	48,546
Total revenues	-	9,154,845	354,070	-	-	-	-	-	9,508,915
EXPENDITURES									
Salaries	51,788,641	16,668,803	-	-	-	-	-	-	68,457,444
Travel	-	11,739	-	-	-	-	-	-	11,739
Contractual services	-	15,627,056	143,857	1,616,094	-	-	-	-	17,387,007
Commodities	-	3,166,535	139,022	1,545,480	-	-	-	-	4,851,037
Capital outlay	-	133,149	-	-	-	-	-	-	133,149
Subsidies	-	66,957	-	-	-	-	-	-	66,957
Total expenditures	51,788,641	35,674,239	282,879	3,161,574	-	-	-	-	90,907,333
Deficiency of revenues under expenditures	(51,788,641)	(26,519,394)	71,191	(3,161,574)	-	-	-	-	(81,398,418)
DEBT SERVICE									
Interest and other fiscal charges	-	(243,298)	-	-	-	-	-	-	(243,298)
Total debt service	-	(243,298)	-	-	-	-	-	-	(243,298)
OTHER FINANCING SOURCES (USES)									
Transfers in	57,045,695	27,257,004	-	3,161,883	-	-	-	-	87,464,582
Transfers out	(5,998,729)	(3,840,876)	-	(374)	-	-	-	-	(9,839,979)
Total financing sources (uses)	51,046,966	23,416,128	-	3,161,509	-	-	-	-	77,624,603
Excess (deficiency) of revenues and debt service and other financing sources (uses) over expenditures	(741,675)	(3,346,564)	71,191	(65)	-	-	-	-	(4,017,113)
Fund balance (deficit), beginning of year	741,674	18,677,140	(53,461)	65	1,400	2,000	7,581	38,525	19,414,924
Fund balance (deficit), end of year	\$ (1)	\$ 15,330,576	\$ 17,730	\$ -	\$ 1,400	\$ 2,000	\$ 7,581	\$ 38,525	\$ 15,397,811

See accompanying notes to the financial statements.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Background Information

Mississippi State Hospital (the "Department") is a Mississippi State Agency directly under the Mississippi Department of Mental Health ("MS DMH") whose main function is to provide acute and continued care through psychiatric units, a medical surgical hospital, a certified nursing facility and function as the statewide service facility for forensic services. The Department has three major programs to help carry out its goals and objectives, including:

1. MI – Institutional Care Program provides comprehensive range of inpatient psychiatric services, chemical dependency treatment, or nursing home care to patients who reside in the State of Mississippi.
2. MI – Support Services Program provides a comprehensive range of services designed to serve the needs of the patients and employees of the Department. This program coordinates the Department's efforts to meet its objectives and report to administrative agencies within state government.
3. Specialized Treatment Facility Program provides psychiatric residential treatment services for adolescents who are diagnosed with a mental disorder.

MS DMH is a state agency included in the State of Mississippi's Annual Comprehensive Financial Report ("ACRF"). The consolidated financial statements include the selected funds identified below, which are held by the Department. All significant interfund accounts and transactions have been eliminated in consolidation.

Purpose of Funds

Fund 2237400000 – is related to general funds which are used to pay the annual Medicaid match among other things.

Fund 3337400000 – is related to all services rendered by the Department of which the primary source of revenues is the Mississippi Division of Medicaid and Medicare.

Fund 5337400000 – is related to grant revenues received from the Department of Education and any associated expenditures.

Fund 5820337400 – is related to grant revenues received for COVID-19 and any associated expenditures.

Fund 6239900000 – is related to the Healthcare Expendable Fund created by Mississippi State Legislature.

Fund 8836100000 – is related to all services associated with housing at the Department.

Fund 8836500000 – is the petty cash fund.

Fund 8836800000 – is related to all utilities associated with the Department.

Fund 8836900000 – is related to all services rendered by the Specialized Treatment Facility of which the primary source of revenues is the Mississippi Division of Medicaid.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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 discussion 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.

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 utilizes 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 Classifications

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.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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.

Accounts Receivables

Patient service revenue is reported at the amount that reflects the consideration to which the Department expects to be entitled for providing patient care. No allowance for uncollectible accounts is considered necessary at June 30, 2022.

Prepaid Expenses and Deferred Charges

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis. The prepaid is due to timing and represents an early payment on the department's Medicaid match for the next fiscal year.

Due To and Due From

Transactions between other governments and/or other 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 governments and/or other funds.

Inventory

Inventories consist primarily of pharmaceuticals and supplies and are valued at the lower of cost or market.

Compensated Absences

The Department provides paid leave, which generally will accumulate or carry over if not use 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 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, 2022. The impact cannot be reasonably quantified.

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.

Revenue Recognition

The Department has agreements with third-party payors that provide for payments to the Department at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party program is Medicaid, which accounts for a significant amount of the Department's revenue. The laws and regulations under which the Medicaid program operates are complex and subject to interpretation and frequent changes. As part of operating under this program, there is a possibility that government authorities may review the Department's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Department to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

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 80 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.

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.

**MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
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.

Assigned – this classification includes amounts where constraints are imposed on the use of resources through the intent of the Mississippi 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 Mississippi State 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. Agency Transfers, Due To and Due From

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

	Due From	Due To
Department of Finance and Administration	-	1,500,000
Division of Medicaid	-	252,220
Total	\$ -	1,752,220

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Continued

Transfers from and (to) other State agencies, including other department funds, occurring through June 30, 2022 were as follows:

	Transfers In	Transfers Out
Division of Medicaid	\$ 26,919,845	\$ (7,218,067)
Department of Finance and Administration	-	(2,563,466)
Department of Mental Health	3,530,001	(57,505)
Department of Environmental Quality	-	(900)
East MS State Hospital	(46,334)	-
Hudspeth Regional Center	14,300	-
State General Appropriations	57,045,695	-
Miscellaneous	1,075	(41)
Total	\$ 87,464,582	\$ 9,839,979

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 Mississippi 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 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 Mississippi State Legislature. During 2022, the Department incurred expenditures of approximately \$9,021,000 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.

MISSISSIPPI DEPARTMENT OF MENTAL HEALTH
MISSISSIPPI STATE HOSPITAL
SELECTED FUNDS
Year Ended June 30, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. Continued

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, 2022.

Note 6. Subsequent Events

The Department has evaluated subsequent events through January 11, 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 Mental Health
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 2237400000, 3337400000, 5337400000, 5820337400, 6239900000, 8836100000, 8836500000, 8836800000, and 8836900000 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 11, 2023 which contained an 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 audit 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 2237400000, 3337400000, 5337400000, 5820337400, 6239900000, 8836100000, 8836500000, 8836800000, and 8836900000 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.

HORNE LLP

Ridgeland, Mississippi
January 11, 2023