



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

May 29, 2018

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the County Rural Offices of Social Services Mental Health Region (CROSS) for the year ended June 30, 2017.

CROSS' revenues totaled \$3,192,023 for the year ended June 30, 2017, including \$2,881,557 from property and other county tax, \$269,274 from state tax credits, \$106 from charges for service, \$29,039 from operating grants, contributions and restricted interest and \$12,047 in miscellaneous revenues.

Expenditures for the year ended June 30, 2017 totaled \$2,813,001, and included \$2,537,144 for direct services to consumers and \$275,857 for general administration.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1714-2358-B00F>.

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**COUNTY RURAL OFFICES OF SOCIAL SERVICES  
MENTAL HEALTH REGION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SCHEDULE OF FINDINGS**

**JUNE 30, 2017**

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**County Rural Offices of Social Services  
Mental Health Region**

**Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Paul Dystra	Board Chair	Ringgold County Board of Supervisors
Marvin McCann	Vice Chair	Clarke County Board of Supervisors
Bob Bell	Board Member	Decatur County Board of Supervisors
Dennis Smith	Board Member	Lucas County Board of Supervisors
Denny Amoss	Board Member	Monroe County Board of Supervisors
Mark Raymie	Board Member	Marion County Board of Supervisors
Duffy Kester	Board Member	Wayne County Board of Supervisors
Maureen Schletzbaum	Non-Voting Ex-Officio Board Member	
Mark Edwards	Non-Voting Ex-Officio Board Member	
Kathy Lerma	Chief Executive Officer	

**County Rural Offices of Social Services  
Mental Health Region**



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Independent Auditor's Report

To the Regional Governance Board of  
County Rural Offices of Social Services Mental Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of County Rural Offices of Social Services Mental Health Region (CROSS), as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise CROSS' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 opinions on these financial statements based on our audit. We did not audit the Special Revenue, Mental Health Funds of Clarke County, Lucas County, Marion County and Monroe County, which represent the following:

<u>Member County</u>	<u>Share of Assets</u>	<u>Share of Fund Balance</u>	<u>Share of Revenues</u>
Clarke County	14.44%	15.81%	13.91%
Lucas County	6.33%	3.32%	14.34%
Marion County	37.05%	36.11%	35.71%
Monroe County	11.34%	11.57%	11.15%

Those Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Clarke County, Lucas County, Marion County and Monroe County, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 CROSS' 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 CROSS' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

#### *Basis for Adverse Opinion on the Governmental Activities*

As discussed in Note 3, management has not recorded a liability for compensated absences in the governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of CROSS and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3, management has not recorded a liability for other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require CROSS' annual OPEB costs based on the annual required contribution of CROSS, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 3, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

#### *Adverse Opinion*

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on the Governmental Activities" paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of CROSS as of June 30, 2017, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Unmodified Opinions*

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of CROSS as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with U.S generally accepted accounting principles.



Other Matters

*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2018 on our consideration of CROSS' internal control over financial reporting and 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 CROSS' internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

May 9, 2018

**County Rural Offices of Social Services  
Mental Health Region**

## **Basic Financial Statements**

**Exhibit A**

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County Rural Offices of Social Services  
Mental Health Region

## Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 5,409,848
Receivables:	
Property tax:	
Delinquent	17,528
Succeeding year	2,668,000
Due from other governments	<u>4,095</u>
<b>Total assets</b>	<u>8,099,471</u>
<b>Liabilities</b>	
Accounts payable	151,710
Salaries and benefits payable	10,589
Due to other governments	<u>6,111</u>
<b>Total liabilities</b>	<u>168,410</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	<u>2,668,000</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 5,263,061</u>

See notes to financial statements.

County Rural Offices of Social Services  
Mental Health Region

Statement of Activities

Year ended June 30, 2017

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	
<b>Functions/Programs:</b>				
Governmental activities:				
Mental health	\$ 2,813,001	106	29,039	(2,783,856)
<b>General Revenues and Special Item:</b>				
Property and other county tax levied for mental health purposes				2,881,557
State tax credits				269,274
Miscellaneous				<u>12,047</u>
Total general revenues and special item				<u>3,162,878</u>
Change in net position				379,022
Net position beginning of year				<u>4,884,039</u>
Net position end of year				<u>\$ 5,263,061</u>

See notes to financial statements.

County Rural Offices of Social Services  
Mental Health Region

Balance Sheet

June 30, 2017

	Fiscal Agent	Special Revenue,	
		Clarke County	Decatur County
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 392,165	830,413	769,060
Receivables:			
Property tax:			
Delinquent	-	833	7,886
Succeeding year	-	338,000	299,000
Due from other governments	-	-	435
<b>Total assets</b>	<b>\$ 392,165</b>	<b>1,169,246</b>	<b>1,076,381</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 18,854	3	2,131
Salaries and benefits payable	1,186	1,065	4,053
Due to other governments	5,546	-	87
Total liabilities	25,586	1,068	6,271
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	338,000	299,000
Other	-	833	7,858
Total deferred inflows of resources	-	338,833	306,858
Fund balances:			
Restricted for mental health purposes	366,579	829,345	763,252
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 392,165</b>	<b>1,169,246</b>	<b>1,076,381</b>

See notes to financial statements.

Mental Health Funds					
Lucas County	Marion County	Monroe County	Ringgold County	Wayne County	Total
194,395	1,978,402	624,481	289,687	331,245	5,409,848
3,503	2,123	2,147	76	960	17,528
315,000	1,017,000	292,000	190,000	217,000	2,668,000
-	3,660	-	-	-	4,095
512,898	3,001,185	918,628	479,763	549,205	8,099,471
20,080	84,427	16,921	9,001	293	151,710
66	3,285	666	268	-	10,589
-	-	-	478	-	6,111
20,146	87,712	17,587	9,747	293	168,410
315,000	1,017,000	292,000	190,000	217,000	2,668,000
3,503	2,033	2,106	76	960	17,369
318,503	1,019,033	294,106	190,076	217,960	2,685,369
174,249	1,894,440	606,935	279,940	330,952	5,245,692
512,898	3,001,185	918,628	479,763	549,205	

Amounts reported in the Statement of Net Position are different because certain long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

	<u>17,369</u>
<b>Net position of governmental activities</b>	<b><u>\$ 5,263,061</u></b>

County Rural Offices of Social Services  
Mental Health Region

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2017

	Special Revenue,		
	Fiscal Agent	Clarke County	Decatur County
Revenues:			
Property and other county tax	\$ -	399,641	298,060
Intergovernmental revenues:			
State tax credits	-	43,310	27,275
MH-DD reimbursement from other governments	-	-	3,962
Payments from member counties	1,035,772	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	-	-
Other	-	-	174
Total intergovernmental revenues	1,035,772	43,310	31,411
Miscellaneous	52	1,067	2,935
Total revenues	1,035,824	444,018	332,406
Expenditures:			
Services to persons with:			
Mental illness	679,424	115,059	197,819
Intellectual disabilities	-	77,376	1,570
Other developmental disabilities	-	-	-
Total direct services	679,424	192,435	199,389
General administration:			
Direct administration	86,230	3,525	30,097
Distribution to MHDS regional fiscal agent	-	133,339	119,979
Fiscal agent reimbursement to member counties	36,022	-	-
Total general administration	122,252	136,864	150,076
Total expenditures	801,676	329,299	349,465
Net change in fund balances	234,148	114,719	(17,059)
Fund balances beginning of year	132,431	714,626	780,311
Fund balances end of year	\$ 366,579	829,345	763,252

See notes to financial statements.



Mental Health Funds						
Lucas County	Marion County	Monroe County	Ringgold County	Wayne County	Elimination Entries	Total
380,423	1,019,832	320,692	225,206	236,943	-	2,880,797
36,374	93,439	34,685	14,981	19,210	-	269,274
-	-	-	-	-	-	3,962
-	-	-	-	-	(1,035,772)	-
36,000	22	-	-	-	(36,000)	22
466	24,035	348	-	32	-	25,055
72,840	117,496	35,033	14,981	19,242	(1,071,772)	298,313
4,515	2,305	171	1,130	-	-	12,175
457,778	1,139,633	355,896	241,317	256,185	(1,071,772)	3,191,285
135,352	585,123	220,307	118,625	76,481	-	2,128,190
73,530	77,201	52,541	74,006	14,214	-	370,438
-	38,516	-	-	-	-	38,516
208,882	700,840	272,848	192,631	90,695	-	2,537,144
53,599	80,590	2,110	5,136	14,570	-	275,857
31,681	473,226	114,749	72,447	90,351	(1,035,772)	-
-	-	-	-	-	(36,000)	22
85,280	553,816	116,859	77,583	104,921	(1,071,772)	275,879
294,162	1,254,656	389,707	270,214	195,616	(1,071,772)	2,813,023
163,616	(115,023)	(33,811)	(28,897)	60,569	-	378,262
10,633	2,009,463	640,746	308,837	270,383	-	4,867,430
174,249	1,894,440	606,935	279,940	330,952	-	5,245,692

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

**Change in fund balances** \$ 378,262

Amounts reported in the Statement of Activities are different because some revenues will not be collected for several months after year end and, therefore, are not considered available in the governmental funds.

**Change in net position of governmental activities** 760  
\$ 379,022

County Rural Offices of Social Services  
Mental Health Region

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

County Rural Offices of Social Services Mental Health Region (CROSS) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. CROSS includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The member counties entered into this 28E agreement on September 18, 2013 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

CROSS' Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance Board also includes two individuals who utilize mental health and disability services or are actively involved relatives of such an individual, serving in a nonvoting, ex officio capacity.

CROSS designated Decatur County as the fiscal agent to account for all its funds as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, CROSS' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of CROSS are intended to present the financial position and the changes in financial position of CROSS, which includes funds held by CROSS' fiscal agent and funds held by the individual member counties in their respective Special Revenue, Mental Health Funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, CROSS has included all funds, organizations, agencies, commissions and authorities. CROSS has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with CROSS are such that exclusion would cause CROSS' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of CROSS to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on CROSS. CROSS has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of CROSS.

The Statement of Net Position presents the assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CROSS reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of CROSS not expended directly from the Special Revenue, Mental Health Funds of the individual member counties.

The Special Revenue, Mental Health Funds of the member counties are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, CROSS considers revenues to be available if they are collected by CROSS or a member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by CROSS or a member county.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, CROSS funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is CROSS' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most CROSS funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2016.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments – Due to other governments represents payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 90 days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

## **(2) Cash, Cash Equivalents and Pooled Investments**

CROSS' deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

CROSS is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by CROSS; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CROSS had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Compensated Absences, Other Postemployment Benefits (OPEB) and Pension Plan**

In accordance with statements of understanding between CROSS' Regional Governance Board and each individual member county Board of Supervisors, CROSS' Chief Executive Officer, the Coordinators of Disability Services and all support staff of CROSS remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county by CROSS.

The individual member county employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The individual member county employees are also provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items in the governmental activities financial statements. CROSS' governmental activities financial statements do not report these amounts.

**(4) Risk Management**

CROSS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. CROSS assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Regional Governance Board of  
County Rural Offices of Social Services Mental Health Region:

We have audited in accordance with U.S. generally accepted auditing standards 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 governmental activities and each major fund of County Rural Offices of Social Services Mental Health Region (CROSS) as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise CROSS' basic financial statements, and have issued our report thereon dated May 9, 2018. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Clarke County, Lucas County, Marion County and Monroe County, as described in our report on CROSS' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CROSS' internal control over financial reporting to determine the audit procedures 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 CROSS' internal control. Accordingly, we do not express an opinion on the effectiveness of CROSS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of CROSS' 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 which 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether CROSS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 CROSS' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CROSS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CROSS during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA  
Auditor of State

May 9, 2018



County Rural Offices of Social Services  
Mental Health Region

Schedule of Findings

Year ended June 30, 2017

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

County Rural Offices of Social Services  
Mental Health Region

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

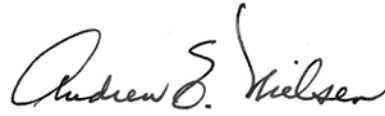
- (1) Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.
- (2) Travel Expense – No disbursements of CROSS money for travel expenses of spouses of officials or employees were noted.
- (3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and CROSS' investment policy were noted.
- (4) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

County Rural Offices of Social Services  
Mental Health Region

Staff

This audit was performed by:

Deborah J. Moser, CPA, CGFM, Manager  
Cole L. Hocker, CPA, Senior Auditor  
Nicholas J. Gassman, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State