



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

Mary Mosiman, CPA
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NEWS RELEASE

FOR RELEASE

June 20, 2018

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on County Social Services for the year ended June 30, 2017.

County Social Services' revenues totaled \$18,786,593 for the year ended June 30, 2017, including \$14,781,248 of property and other county tax, \$1,360,449 from state tax credits, \$2,551,220 from charges for service and \$93,671 from operating grants, contributions and restricted interest.

Expenditures for the year ended June 30, 2017 totaled \$23,139,554, and included \$17,421,088 direct services to consumers, \$2,702,756 for general administration and \$3,015,710 for County provided case management.

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/1714-2361-B00F>.

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**COUNTY SOCIAL SERVICES
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

JUNE 30, 2017

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County Social Services

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ken Abrams	Board Chair	Worth County Board of Supervisors
Dennis Koenig	Vice Chair	Allamakee County Board of Supervisors
Beverly Juhl	Secretary/Treasurer	Emmet County Board of Supervisors
Craig White	Board Member	Black Hawk County Board of Supervisors
Greg Barnett	Board Member	Butler County Board of Supervisors
Chris Watts	Board Member	Cerro Gordo County Board of Supervisors
Jacob Hackman	Board Member	Chickasaw County Board of Supervisors
Ron McCartney	Board Member	Clayton County Board of Supervisors
Jeanine Tellin	Board Member	Fayette County Board of Supervisors
Mark Kuhn	Board Member	Floyd County Board of Supervisors
James Ross	Board Member	Grundy County Board of Supervisors
Ron Sweeres	Board Member	Hancock County Board of Supervisors
Pat Murray	Board Member	Howard County Board of Supervisors
Carl Mattes	Board Member	Humboldt County Board of Supervisors
Roger Tjarks	Board Member	Kossuth County Board of Supervisors
Joel Voaklander	Board Member	Mitchell County Board of Supervisors
Clarence Siepker	Board Member	Pocahontas County Board of Supervisors
Larry Vest	Board Member	Tama County Board of Supervisors
Bob Thode	Board Member	Webster County Board of Supervisors
Bill Jensvold	Board Member	Winnebago County Board of Supervisors
Floyd Ashbacher	Board Member	Winneshiek County Board of Supervisors
Karl Helgevold	Board Member	Wright County Board of Supervisors
Janel Clarke	Non-voting Ex-Officio Board Member	
Andy Eastwood	Non-voting Ex-Officio Board Member	
Bob Lincoln	Chief Executive Officer	
Karen Dowell	Chief Operating Officer	
Jodi Draper	Chief Financial Officer	

County Social Services



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Independent Auditor's Report

To the Regional Governance Board of County Social Services:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of County Social Services, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise County Social Services' 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 Allamakee, Black Hawk, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Hancock, Howard, Humboldt, Kossuth, Mitchell, Tama, Winnebago, Winneshiek, Worth and Wright Counties, which represent the following:

<u>Member County</u>	<u>Share of Assets</u>	<u>Share of Fund Balance</u>	<u>Share of Revenues</u>
Allamakee	2.14%	1.89%	3.45%
Black Hawk	21.84	14.88	29.76
Cerro Gordo	6.70	5.00	13.38
Chickasaw	2.19	2.00	3.60
Clayton	2.50	1.13	3.36
Emmet	1.81	1.78	3.02
Fayette	3.34	3.08	5.51
Floyd	2.52	2.19	5.83
Hancock	1.94	1.76	2.09
Howard	2.21	3.18	2.94
Humboldt	1.73	1.77	2.58
Kossuth	3.20	5.35	3.40
Mitchell	1.75	1.31	2.92
Tama	3.46	3.81	4.89
Winnebago	3.18	5.39	3.76
Winneshiek	3.27	2.21	4.30
Worth	1.40	1.51	1.40
Wright	2.48	2.82	4.10

Those Special Revenue, 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 Allamakee, Black Hawk, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Hancock, Howard, Humboldt, Kossuth, Mitchell, Tama, Winnebago, Winneshiek, Worth and Wright Counties, 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 County Social Services' 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 County Social Services' 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 County Social Services and its 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 governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require County Social Services' annual OPEB costs based on the annual required contribution of County Social Services, 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 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 the 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 discussed 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 County Social Services 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 the Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of County Social Services 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 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 June 12, 2018 on our consideration of County Social Services’ 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 County Social Services’ 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 County Social Services’ internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 12, 2018

County Social Services

Basic Financial Statements

Exhibit A

County Social Services
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 12,899,990
Receivables:	
Property tax:	
Delinquent	33,728
Succeeding year	14,251,376
Accounts	176,186
Due from other governments	168,869
Prepaid expenses	<u>6,556</u>
Total assets	<u>27,536,705</u>
Liabilities	
Accounts payable	2,659,895
Salaries and benefits payable	109,044
Due to other governments	<u>565,952</u>
Total liabilities	<u>3,334,891</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>14,251,376</u>
Net Position	
Restricted for mental health purposes	<u>\$ 9,950,438</u>

See notes to financial statements.

County Social Services

Statement of Activities

Year ended June 30, 2017

	<u>Program Revenues</u>		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Mental health	\$ 23,139,554	2,551,220	93,676
			(20,494,658)
General Revenues:			
Property and other county tax levied for mental health purposes			14,781,248
State tax credits			1,360,449
Total general revenues			16,141,697
Change in net position			(4,352,961)
Net position beginning of year			14,303,399
Net position end of year			\$ 9,950,438

See notes to financial statements.

County Social Services

Balance Sheet

June 30, 2017

	Special Revenue,			
	Fiscal Agent	Allamakee County	Black Hawk County	Butler County
Assets				
Cash, cash equivalents and pooled investments	\$ 5,896,484	145,487	1,583,155	184,799
Receivables:				
Property tax:				
Delinquent	-	705	16,490	434
Succeeding year	-	398,030	4,190,090	353,000
Accounts	126,099	42,141	10	-
Due from other funds	-	-	-	-
Due from other governments	306,448	-	225,003	17,688
Prepaid expenditures	-	2,152	-	-
Total assets	\$ 6,329,031	588,515	6,014,748	555,921
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,644,540	115	1,298	23
Salaries and benefits payable	-	2,535	30,728	2,577
Due to other funds	-	-	1,385	-
Due to other governments	1,568,730	-	300,000	-
Total liabilities	4,213,270	2,650	333,411	2,600
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	398,030	4,190,090	353,000
Other	-	688	15,198	434
Total deferred inflows of resources	-	398,718	4,205,288	353,434
Fund balances:				
Nonspendable for prepaid expenditures	-	2,152	-	-
Restricted for mental health purposes	2,115,761	184,995	1,476,049	199,887
Total fund balances	2,115,761	187,147	1,476,049	199,887
Total liabilities, deferred inflows of resources and fund balances	\$ 6,329,031	588,515	6,014,748	555,921

Mental Health Funds

Cerro Gordo County	Chickasaw County	Clayton County	Emmet County	Fayette County	Floyd County	Grundy County	Hancock County	Howard County
281,221	188,843	111,718	163,261	271,145	157,555	370,338	174,272	298,496
3,887	1,226	361	-	893	515	66	430	106
1,334,084	401,375	576,408	320,119	604,773	470,126	392,000	357,904	289,727
-	7,071	-	-	-	200	-	293	-
-	-	-	-	-	-	-	-	-
226,978	4,475	910	14,299	42,929	66,641	51,071	-	21,574
-	-	-	-	-	-	-	-	-
1,846,170	602,990	689,397	497,679	919,740	695,037	813,475	532,899	609,903
3,850	1,161	-	353	86	392	268	22	251
8,566	540	132	183	8,535	7,195	-	-	4,505
217	-	-	-	-	-	-	-	-
81	140	-	-	-	19	-	-	-
12,714	1,841	132	536	8,621	7,606	268	22	4,756
1,334,084	401,375	576,408	320,119	604,773	470,126	392,000	357,904	289,727
3,535	1,226	354	-	882	477	66	421	101
1,337,619	402,601	576,762	320,119	605,655	470,603	392,066	358,325	289,828
-	-	-	-	-	-	-	-	-
495,837	198,548	112,503	177,024	305,464	216,828	421,141	174,552	315,319
495,837	198,548	112,503	177,024	305,464	216,828	421,141	174,552	315,319
1,846,170	602,990	689,397	497,679	919,740	695,037	813,475	532,899	609,903

(continued on next page)

County Social Services

Balance Sheet
(Continued)

June 30, 2017

	Special Revenue,			
	Humboldt County	Kossuth County	Mitchell County	Pocahontas County
Assets				
Cash, cash equivalents and pooled investments	177,959	503,510	104,306	142,356
Receivables:				
Property tax:				
Delinquent	497	627	31	483
Succeeding year	296,955	349,507	350,986	218,000
Accounts	-	5,697	27,605	14,395
Due from other funds	-	-	-	-
Due from other governments	-	22,497	-	-
Prepaid expenditures	-	-	-	1,833
Total assets	475,411	881,838	482,928	377,067
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	-	1,192	-	180
Salaries and benefits payable	2,186	219	1,853	2,543
Due to other funds	-	36	-	-
Due to other governments	-	-	-	27
Total liabilities	2,186	1,447	1,853	2,750
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	296,955	349,507	350,986	218,000
Other	471	621	21	483
Total deferred inflows of resources	297,426	350,128	351,007	218,483
Fund balances:				
Nonspendable for prepaid expenditures	-	-	-	1,833
Restricted for mental health purposes	175,799	530,263	130,068	154,001
Total fund balances	175,799	530,263	130,068	155,834
Total liabilities, deferred inflows of resources and fund balances	475,411	881,838	482,928	377,067

See notes to financial statements.

Mental Health Funds							
Tama County	Webster County	Winnebago County	Winneshiek County	Worth County	Wright County	Reclassifications	Total
229,103	840,116	484,274	211,916	150,318	229,358	-	12,899,990
1,173	4,269	672	64	91	708	-	33,728
568,799	1,143,000	328,344	679,202	235,597	393,350	-	14,251,376
-	-	9,450	8,548	-	-	(65,323)	176,186
153,093	-	-	-	-	-	(153,093)	-
-	158,274	53,264	-	-	56,720	(1,099,902)	168,869
-	266	-	800	-	1,505	-	6,556
952,168	2,145,925	876,004	900,530	386,006	681,641	(1,318,318)	27,536,705
2,556	2,877	31	10	624	66	-	2,659,895
1,880	26,392	-	1,682	-	6,793	-	109,044
-	-	-	-	-	722	(2,360)	-
218	-	12,695	-	-	-	(1,315,958)	565,952
4,654	29,269	12,726	1,692	624	7,581	(1,318,318)	3,334,891
568,799	1,143,000	328,344	679,202	235,597	393,350	-	14,251,376
1,161	4,269	671	61	91	708	-	31,939
569,960	1,147,269	329,015	679,263	235,688	394,058	-	14,283,315
-	266	-	800	-	1,505	-	6,556
377,554	969,121	534,263	218,775	149,694	278,497	-	9,911,943
377,554	969,387	534,263	219,575	149,694	280,002	-	9,918,499
952,168	2,145,925	876,004	900,530	386,006	681,641	(1,318,318)	

Amounts reported for governmental activities 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

	31,939
Net position of governmental activities	<u>\$ 9,950,438</u>

County Social Services

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2017

	Special Revenue			
	Fiscal Agent	Allamakee County	Black Hawk County	Butler County
Revenues:				
Property and other county tax	\$ -	378,588	4,372,207	362,970
Intergovernmental revenues:				
State tax credits	-	29,833	393,679	31,538
Payments from member counties	19,044,309	-	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	247,393	804,267	-
Reimbursements from other governments	-	-	-	-
Medicaid	1,921,045	-	-	119,832
Other	24,594	-	275	-
Total intergovernmental revenues	20,989,948	277,226	1,198,221	151,370
Charges for service	10,280	-	86,127	-
Use of money and property	30,293	-	-	1,532
Miscellaneous	51,714	-	-	-
Total revenues	21,082,235	655,814	5,656,555	515,872
Expenditures:				
Services to persons with:				
Mental illness	12,235,062	17,920	689,134	674
Intellectual disabilities	2,295,614	-	-	-
Other developmental disabilities	1,100,424	-	-	-
Brain injury	372,603	-	-	-
Total direct services to consumers	16,003,703	17,920	689,134	674
General administration:				
Direct administration	497,798	73,714	130,022	-
Purchased administration	195,372	-	-	-
Distribution to MHDS regional fiscal agent	-	479,233	5,470,875	450,899
Fiscal agent reimbursement to member counties	5,678,770	-	-	-
Total general administration	6,371,940	552,947	5,600,897	450,899
County provided case management	543,067	185,234	-	107,168
Total mental health, intellectual disabilities and developmental disabilities expenditures	22,918,710	756,101	6,290,031	558,741
Net change in fund balances	(1,836,475)	(100,287)	(633,476)	(42,869)
Fund balances beginning of year	3,952,236	287,434	2,109,525	242,756
Fund balances end of year	\$ 2,115,761	187,147	1,476,049	199,887

Mental Health Funds								
Cerro Gordo County	Chickasaw County	Clayton County	Emmet County	Fayette County	Floyd County	Grundy County	Hancock County	Howard County
1,442,388	368,105	582,247	326,487	650,185	528,457	407,113	367,208	311,534
121,903	32,283	56,994	-	64,232	52,546	34,266	28,649	31,597
-	-	-	-	-	-	-	-	-
965,456	-	-	-	268,604	465,430	250,055	-	216,020
-	-	-	-	9,551	61,831	-	-	-
-	-	-	-	-	-	-	-	-
-	226,672	-	202,273	790	-	-	-	-
1,087,359	258,955	56,994	202,273	343,177	579,807	284,321	28,649	247,617
-	57,757	-	-	14,308	-	-	-	33
-	-	-	-	-	-	-	-	-
13,397	-	-	45,393	39,070	393	-	584	-
2,543,144	684,817	639,241	574,153	1,046,740	1,108,657	691,434	396,441	559,184
55,170	-	241	-	72,439	1,814	208	-	84,745
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
55,170	-	241	-	72,439	1,814	208	-	84,745
423,451	244,428	5,553	65,282	54,314	184,682	152,945	983	60,375
-	-	-	-	-	-	-	-	-
1,847,753	491,448	713,022	614,753	896,996	703,338	441,603	386,443	351,762
-	-	-	-	-	-	-	-	-
2,271,204	735,876	718,575	680,035	951,310	888,020	594,548	387,426	412,137
417,707	-	-	-	147,311	239,659	94,756	-	69,694
2,744,081	735,876	718,816	680,035	1,171,060	1,129,493	689,512	387,426	566,576
(200,937)	(51,059)	(79,575)	(105,882)	(124,320)	(20,836)	1,922	9,015	(7,392)
696,774	249,607	192,078	282,906	429,784	237,664	419,219	165,537	322,711
495,837	198,548	112,503	177,024	305,464	216,828	421,141	174,552	315,319

(continued on next page)

County Social Services

Statement of Revenues, Expenditures and
Changes in Fund Balances
(Continued)

Year ended June 30, 2017

	Special Revenue,			
	Humboldt County	Kossuth County	Mitchell County	Pocahontas County
Revenues:				
Property and other county tax	315,901	390,524	358,426	237,880
Intergovernmental revenues:				
State tax credits	30,591	31,902	36,307	13,211
Payments from member counties				
Payments from MHDS fiscal agent to MHDS regional members	130,144	88,171	102,297	116,775
Reimbursements from other governments	-	-	15,005	-
Medicaid	-	135,095	43,347	-
Other	13,688	-	-	42,385
Total intergovernmental revenues	174,423	255,168	196,956	172,371
Charges for service	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	435	-	-
Total revenues	490,324	646,127	555,382	410,251
Expenditures:				
Services to persons with:				
Mental illness	-	-	-	77,902
Intellectual disabilities	53,244	-	-	7,820
Other developmental disabilities	-	-	-	-
Brain injury	-	-	-	-
Total direct services to consumers	53,244	-	-	85,722
General administration:				
Direct administration	22,542	89,197	296	31,133
Purchased administration	-	-	-	-
Distribution to MHDS regional fiscal agent	540,411	647,159	393,857	355,411
Fiscal agent reimbursement to member counties	-	-	-	-
Total general administration	562,953	736,356	394,153	386,544
County provided case management	101,078	141,058	189,322	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	717,275	877,414	583,475	472,266
Net change in fund balances	(226,951)	(231,287)	(28,093)	(62,015)
Fund balances beginning of year	402,750	761,550	158,161	217,849
Fund balances end of year	175,799	530,263	130,068	155,834

See notes to financial statements.

Mental Health Funds							
Tama County	Webster County	Winnebago County	Winneshiek County	Worth County	Wright County	Reclassification/ Elimination Entries	Total
530,068	1,150,469	346,995	682,567	244,348	427,557	-	14,782,224
45,726	181,650	32,035	60,352	20,676	36,015	(5,536)	1,360,449
281,913	697,702	175,083	-	1,314	316,287	(19,044,309)	-
-	-	-	-	-	-	(5,126,911)	-
47,702	-	-	-	-	-	(24,541)	61,846
-	8,477	150,610	75,069	329	-	(182,154)	2,084,867
375,341	887,829	357,728	135,421	22,319	352,302	(424,543)	320,619
-	12,147	-	-	-	-	(24,807,994)	3,827,781
-	-	-	-	-	-	-	180,652
24,445	-	10,401	-	-	-	-	31,825
929,854	2,050,445	715,124	817,988	266,667	779,859	-	185,832
-	174,941	88,747	-	-	-	(24,807,994)	19,008,314
39,251	-	50,001	-	3,134	-	-	13,498,997
-	-	-	-	-	-	-	2,449,064
-	-	-	-	-	-	-	1,100,424
39,251	174,941	138,748	-	3,134	-	-	372,603
89,864	105,464	10,873	59,901	1,195	75,084	-	17,421,088
-	-	-	-	-	-	128,288	2,507,384
585,826	1,539,381	406,661	907,793	258,527	689,446	-	195,372
-	-	-	-	-	-	(19,172,597)	-
675,690	1,644,845	417,534	967,694	259,722	764,530	(5,678,770)	-
218,066	457,862	-	-	3,892	184,751	(24,723,079)	2,702,756
933,007	2,277,648	556,282	967,694	266,748	949,281	(84,915)	3,015,710
(3,153)	(227,203)	158,842	(149,706)	(81)	(169,422)	-	23,139,554
380,707	1,196,590	375,421	369,281	149,775	449,424	-	(4,131,240)
377,554	969,387	534,263	219,575	149,694	280,002	-	14,049,739
-	-	-	-	-	-	-	9,918,499

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

Change in fund balances \$ (4,131,240)

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 revenues in the governmental funds

(221,721)

Change in net position of governmental activities \$ (4,352,961)

County Social Services

County Social Services

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

County Social Services, a jointly governed organization formed pursuant to the provision of Chapter 28E of the Code of Iowa which became effective July 1, 2011, includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. The member counties entered into this 28E agreement 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.

County Social Services' 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 one individual who utilizes mental health and disability services or is an actively involved relative of such an individual and one individual representing service providers in the County Social Services service area, both serving in a nonvoting, ex-officio capacity.

County Social Services designated Butler County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, County Social Services' 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 County Social Services are intended to present the financial position and the changes in financial position of County Social Services', which includes funds held by County Social Services' 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, County Social Services has included all funds, organizations, agencies, commissions and authorities. County Social Services 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 County Social Services are such that exclusion would cause County Social Services' 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 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 County Social Services. County Social Services 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 County Social Services.

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.

County Social Services reports the following major governmental funds:

Special Revenue:

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

The Mental Health Funds of the other 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, County Social Services considers revenues to be available if they are collected by County Social Services 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 County Social Services 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, County Social Services 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 County Social Services' 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, County Social Services' 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 County Social Services 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 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 government-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 the 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 represents an acquisition of net position which applies to a future year(s) and 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:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form.

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 Investments

County Social Services' 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.

County Social Services 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 County Social Services; 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.

County Social Services 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 County Social Services' Regional Governance Board and each member county Board of Supervisors, County Social Services' Chief Executive Officer, the Coordinators of Disability Services and all support staff of County Social Services 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 County Social Services.

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. County Social Services' governmental activities financial statements do not report these amounts.

(4) Risk Management

County Social Services is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

County Social Services' property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. County Social Services' contributions to the Pool for the year ended June 30, 2017 were \$10,252.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by County Social Services' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by County Social Services' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by County Social Services' risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

County Social Services does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in County Social Services' financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount, if any, to be refunded to the withdrawing member.



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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 Social Services:

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 Social Services as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated June 12, 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 Allamakee, Black Hawk, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Hancock, Howard, Humbolt, Kossuth, Mitchell, Tama, Winnegbago, Winneshiek, Worth and Wright Counties, as described in our report on County Social Services' 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 County Social Services' 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 County Social Services' internal control. Accordingly, we do not express an opinion on the effectiveness of County Social Services' 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 County Social Services' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Social Services' 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. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about County Social Services' operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of County Social Services. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


County Social Services' Responses to the Findings

County Social Services' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. County Social Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County Social Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering County Social Services' 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 County Social Services 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

June 12, 2018

County Social Services

Schedule of Findings

Year ended June 30, 2017

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(A) Mental Health Financial Reporting

Criteria – Elimination entries are necessary to reduce revenues and expenditures in County Social Services' financial statements for financial activity occurring between the fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides for the coding necessary to identify the elimination activity.

Condition – During the audit, we identified transactions between the fiscal agent and member counties which were not properly coded. Adjustments were subsequently made by County Social Services to properly report and eliminate these transactions in the financial statements.

Cause – Lack of oversight over member county reporting.

Effect – Certain financial activity occurring between the fiscal agent and the member counties was not coded correctly by member counties.

Recommendation – County Social Services should establish procedures to monitor the coding of revenues and expenditures in accordance with the Uniform Chart of Accounts for Iowa County Governments to ensure proper reporting in the financial statements.

Response – County Social Services now has one employee assigned as the Member Account Manager/Auditor Liaison. This employee reviews monthly revenue and expenditure reports from each county Fund 10 to make sure the correct chart of account numbers were used for each transaction and communicates back to each local county if correcting entries need to be made. We are also working on a formal monthly balancing method between each county Fund 10 and the fiscal agent. We expect that to be in place in early fiscal year 2019.

Conclusion –

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

County Social Services

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) County Social Services Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.

However, minutes of Regional Governance Board proceedings were not published within twenty days following adjournment of the meeting, as required by Chapter 28E.6(3)(a) of the Code of Iowa.

Recommendation – County Social Services should ensure the Regional Governance Board minutes are published as required.

Response – County Social Services' Board Secretary will be diligent in communicating to each local county auditor, when sending the minutes to be published, that they must be published within the specific timeframe. The Board Secretary will start keeping record of this, as well.

Conclusion – Response accepted.

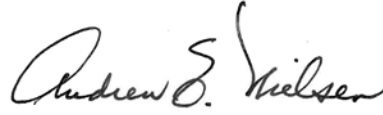
- (2) Travel Expense – No disbursements of County Social Services' money for travel expenses of spouses of County Social Services' officials or employees were noted.
- (3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and County Social Services' 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 Social Services

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Emma L. McGrane, Senior Auditor
Anthony J.T. Mallie, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State