



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

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

August 6, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on County Social Services for the year ended June 30, 2018.

County Social Services' revenues totaled \$17,439,543 for the year ended June 30, 2018, including \$14,351,165 of property and other county tax, \$1,179,967 from state tax credits, \$1,871,3612 from charges for service and \$37,049 from operating grants, contributions and restricted interest.

Expenditures for the year ended June 30, 2018 totaled \$20,883,743, and included \$18,031,213 direct services to consumers, \$1,907,961 for general administration and \$944,569 for County provided case management.

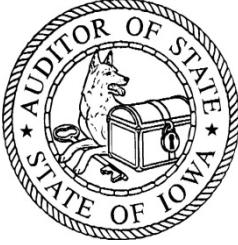
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

County Social Services



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

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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

July 5, 2019

Officials of County Social Services
Butler County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for County Social Services for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of County Social Services throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

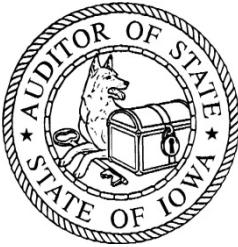
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County Social Services
Regional Governance Board

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|------------------|------------------------------------|-----------------------------------------|
| Dennis Koenig | Board Chair | Allamakee County Board of Supervisors |
| Beverly Juhl | Vice Chair | Emmet County Board of Supervisors |
| Jenine Tellin | Secretary/Treasurer | Fayette 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 |
| Mark Kuhn | Board Member | Floyd County Board of Supervisors |
| James Ross | Board Member | Grundy County Board of Supervisors |
| Ron Sweers | Board Member | Hancock County Board of Supervisors |
| Pat Murray | Board Member | Howard County Board of Supervisors |
| Carl Matters | 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 |
| Kenneth Abrams | Board Member | Worth 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 | |
| Marcia Oltrogge | 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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STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2018, 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:

| Member County | Share of Assets | Share of Fund Balance | Share of Revenues |
|---------------|-----------------|-----------------------|-------------------|
| Allamakee | 2.11% | 1.18% | 3.81% |
| Black Hawk | 21.74 | 11.30 | 32.61 |
| Cerro Gordo | 6.95 | 3.83 | 12.03 |
| Chickasaw | 2.50 | 1.35 | 2.72 |
| Clayton | 2.64 | 0.37 | 3.45 |
| Emmet | 1.57 | 0.63 | 2.44 |
| Fayette | 3.05 | 1.34 | 5.07 |
| Floyd | 2.55 | 1.65 | 5.22 |
| Hancock | 1.98 | 1.53 | 2.15 |
| Howard | 1.98 | 2.49 | 2.67 |
| Humboldt | 1.65 | 1.18 | 2.95 |
| Kossuth | 2.80 | 5.22 | 2.80 |
| Mitchell | 1.84 | 1.39 | 3.00 |
| Tama | 3.47 | 3.35 | 4.54 |
| Winnebago | 3.54 | 6.82 | 3.14 |
| Winneshiek | 3.32 | 1.21 | 4.34 |
| Worth | 1.39 | 1.26 | 1.51 |
| Wright | 2.19 | 1.66 | 3.73 |

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 adverse and unmodified audit opinions.

Opinions

Basis for Adverse Opinion on the Governmental Activities

As discussed in Note 4 to the financial statements, 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 4 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. general accepted accounting principles require OPEB costs attributable to employee service 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 inflow 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 amount of resources, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 4 to the financial statements, 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 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, 2018, 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, 2018, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

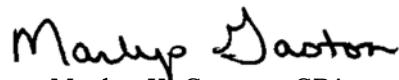
Other Matters

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 July 5, 2019 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 solely 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

July 5, 2019

County Social Services

Basic Financial Statements

Exhibit A

County Social Services

Statement of Net Position

June 30, 2018

| | Governmental Activities |
|---------------------------------------|----------------------------|
| Assets | |
| Cash and pooled investments | \$ 8,438,393 |
| Receivables: | |
| Property tax: | |
| Delinquent | 36,858 |
| Succeeding year | 15,104,195 |
| Accounts | 15,149 |
| Due from other governments | 243,804 |
| Loan receivable | 154,350 |
| Prepaid expenses | 4,138 |
| | <hr/> |
| Total assets | 23,996,887 |
| Liabilities | |
| Accounts payable | 1,854,062 |
| Salaries and benefits payable | 95,961 |
| Due to other governments | <hr/> 257,181 |
| | <hr/> |
| Total liabilities | 2,207,204 |
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | <hr/> 15,104,195 |
| Net Position | |
| Restricted for mental health purposes | \$ 6,685,488 |

See notes to financial statements.

County Social Services

Statement of Activities

Year ended June 30, 2018

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-----------------------------------------------------------------|------------------|---------------------------|------------------------------------------------------------------|------------------------------------------------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | |
| | | | | |
| Governmental activities: | | | | |
| Mental health | \$ 20,883,743 | 1,871,362 | 37,049 | (18,975,332) |
| General Revenues: | | | | |
| Property and other county tax levied for mental health purposes | | | | 14,351,165 |
| State tax credits | | | | 1,179,967 |
| Total general revenues | | | | 15,531,132 |
| Change in net position | | | | (3,444,200) |
| Net position beginning of year | | | | 10,129,688 |
| Net position end of year, as restated | | | | \$ 6,685,488 |

See notes to financial statements.

County Social Services

Balance Sheet

June 30, 2018

| | | Special Revenue, | | |
|-------------------------------------------------------------------------------|---------------------|---------------------|----------------------|------------------|
| | | Allamakee County | Black Hawk County | Butler County |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 5,204,759 | 41,006 | 570,638 | 67,624 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 477 | 17,706 | 487 |
| Succeeding year | - | 424,651 | 4,420,166 | 472,000 |
| Accounts | 1,200 | 37,420 | 1,081 | - |
| Due from other governments | 92,944 | - | 206,216 | 19,590 |
| Loan receivable | 154,350 | - | - | - |
| Prepaid expenditures | - | 2,299 | - | - |
| Total assets | \$ 5,453,253 | 505,853 | 5,215,807 | 559,701 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,842,785 | 173 | 1,227 | - |
| Salaries and benefits payable | - | 3,133 | 37,207 | 2,604 |
| Due to other funds | - | - | 165 | - |
| Due to other governments | 972,821 | - | - | - |
| Total liabilities | 2,815,606 | 3,306 | 38,599 | 2,604 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | 424,651 | 4,420,166 | 472,000 |
| Other | - | 452 | 17,501 | 487 |
| Total deferred inflows of resources | - | 425,103 | 4,437,667 | 472,487 |
| Fund balances: | | | | |
| Nonspendable for prepaid expenditures | - | 2,299 | - | - |
| Restricted for mental health purposes | 2,637,647 | 75,145 | 739,541 | 84,610 |
| Total fund balances | 2,637,647 | 77,444 | 739,541 | 84,610 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 5,453,253 | 505,853 | 5,215,807 | 559,701 |

Mental Health Funds

| Cerro Gordo County | Chickasaw County | Clayton County | Emmet County | Fayette County | Floyd County | Grundy County | Hancock County | Howard County |
|--------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 156,445 | 81,546 | 23,221 | 22,324 | 69,918 | 58,426 | 62,857 | 100,119 | 146,636 |
| 4,578 | 1,261 | 318 | - | 1,094 | 646 | 64 | 414 | 58 |
| 1,386,459 | 507,552 | 609,881 | 335,680 | 636,226 | 498,388 | 412,000 | 375,171 | 305,219 |
| - | - | - | - | 5 | 11 | - | - | - |
| 121,237 | 9,105 | 801 | 19,399 | 23,819 | 54,368 | 46,254 | - | 22,069 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 1,668,719 | 599,464 | 634,221 | 377,403 | 731,062 | 611,839 | 521,175 | 475,704 | 473,982 |
| 2,639 | 14 | - | 622 | 705 | 418 | 254 | - | 840 |
| 12,533 | 2,146 | 83 | 20 | 5,076 | 4,116 | - | - | 4,716 |
| 160 | - | - | - | - | - | - | - | - |
| - | 2 | - | - | - | 32 | - | - | - |
| 15,332 | 2,162 | 83 | 642 | 5,781 | 4,566 | 254 | - | 5,556 |
| 1,386,459 | 507,552 | 609,881 | 335,680 | 636,226 | 498,388 | 412,000 | 375,171 | 305,219 |
| 16,253 | 1,261 | 310 | - | 1,091 | 619 | 64 | 382 | 55 |
| 1,402,712 | 508,813 | 610,191 | 335,680 | 637,317 | 499,007 | 412,064 | 375,553 | 305,274 |
| - | - | - | - | - | - | - | - | - |
| 250,675 | 88,489 | 23,947 | 41,081 | 87,964 | 108,266 | 108,857 | 100,151 | 163,152 |
| 250,675 | 88,489 | 23,947 | 41,081 | 87,964 | 108,266 | 108,857 | 100,151 | 163,152 |
| 1,668,719 | 599,464 | 634,221 | 377,403 | 731,062 | 611,839 | 521,175 | 475,704 | 473,982 |

(continued on next page)

County Social Services

Balance Sheet
(Continued)

June 30, 2018

| | | | Special Revenue, | |
|---------------------------------------------------------------------------|-----------------|----------------|------------------|-------------------|
| | Humboldt County | Kossuth County | Mitchell County | Pocahontas County |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | 42,714 | 342,153 | 66,774 | 52,803 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 454 | 506 | 226 | 473 |
| Succeeding year | 316,055 | 283,387 | 350,080 | 228,000 |
| Accounts | 36,595 | - | 25,026 | 1,275 |
| Due from other governments | - | 44,939 | - | - |
| Loan receivable | - | - | - | - |
| Prepaid expenditures | - | - | - | - |
| Total assets | 395,818 | 670,985 | 442,106 | 282,551 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 212 | 559 | 360 | 83 |
| Salaries and benefits payable | 1,581 | 209 | 671 | 100 |
| Due to other funds | - | 63 | - | - |
| Due to other governments | - | - | - | 27 |
| Total liabilities | 1,793 | 831 | 1,031 | 210 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 316,055 | 283,387 | 350,080 | 228,000 |
| Other | 454 | 45,441 | 123 | 473 |
| Total deferred inflows of resources | 316,509 | 328,828 | 350,203 | 228,473 |
| Fund balances: | | | | |
| Nonspendable for prepaid expenditures | - | - | - | - |
| Restricted for mental health purposes | 77,516 | 341,326 | 90,872 | 53,868 |
| Total fund balances | 77,516 | 341,326 | 90,872 | 53,868 |
| Total liabilities, deferred inflows of resources and fund balances | 395,818 | 670,985 | 442,106 | 282,551 |

See notes to financial statements.

Mental Health Funds

| Tama County | Webster County | Winnebago County | Winneshiek County | Worth County | Wright County | Reclassifications | Total |
|----------------|------------------|------------------|-------------------|----------------|----------------|-------------------|-------------------|
| 159,486 | 481,003 | 449,304 | 71,357 | 82,976 | 84,304 | - | 8,438,393 |
| 1,898 | 4,792 | 684 | 28 | 101 | 593 | - | 36,858 |
| 609,282 | 1,210,000 | 350,789 | 715,680 | 250,005 | 407,524 | - | 15,104,195 |
| 456 | - | - | 8,610 | - | - | (96,530) | 15,149 |
| 62,105 | 63,260 | 49,401 | - | - | 31,241 | (622,944) | 243,804 |
| - | - | - | - | - | - | - | 154,350 |
| - | - | - | 810 | - | 1,029 | - | 4,138 |
| <u>833,227</u> | <u>1,759,055</u> | <u>850,178</u> | <u>796,485</u> | <u>333,082</u> | <u>524,691</u> | <u>(719,474)</u> | <u>23,996,887</u> |
| 1,158 | 1,244 | 160 | - | 228 | 381 | - | 1,854,062 |
| 1,639 | 11,584 | 1,550 | 1,749 | - | 5,244 | - | 95,961 |
| - | - | - | - | - | 2,266 | (2,654) | - |
| 62 | - | 1,057 | - | - | - | (716,820) | 257,181 |
| <u>2,859</u> | <u>12,828</u> | <u>2,767</u> | <u>1,749</u> | <u>228</u> | <u>7,891</u> | <u>(719,474)</u> | <u>2,207,204</u> |
| 609,282 | 1,210,000 | 350,789 | 715,680 | 250,005 | 407,524 | - | 15,104,195 |
| 1,869 | 4,792 | 50,084 | 15 | 101 | 593 | - | 142,420 |
| <u>611,151</u> | <u>1,214,792</u> | <u>400,873</u> | <u>715,695</u> | <u>250,106</u> | <u>408,117</u> | <u>-</u> | <u>15,246,615</u> |
| - | - | - | 810 | - | 1,029 | - | 4,138 |
| 219,217 | 531,435 | 446,538 | 78,231 | 82,748 | 107,654 | - | 6,538,930 |
| 219,217 | 531,435 | 446,538 | 79,041 | 82,748 | 108,683 | - | 6,543,068 |
| <u>833,227</u> | <u>1,759,055</u> | <u>850,178</u> | <u>796,485</u> | <u>333,082</u> | <u>524,691</u> | <u>(719,474)</u> | |

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

Net position of governmental activities

142,420

\$ 6,685,488

County Social Services

**Statement of Revenues, Expenditures and
Changes in Fund Balances**

Year ended June 30, 2018

| | | | | Special Revenue, |
|-----------------------------------------------------------------------------------------------|--------------|---------------------------|----------------------|------------------|
| | | Allamakee Fiscal Agent | Black Hawk County | Butler County |
| Revenues: | | | | |
| Property and other county tax | \$ - | 434,590 | 4,192,100 | 364,222 |
| Intergovernmental revenues: | | | | |
| State tax credits | | - 34,043 | 371,373 | 30,426 |
| Payments from member counties | 19,503,444 | - | - | - |
| Payments from MHDS fiscal agent to MHDS regional members | | - 191,228 | 890,958 | 129,113 |
| Medicaid | 1,012,593 | - | - | - |
| Other | 13,428 | - | 495 | - |
| Total intergovernmental revenues | 20,529,465 | 225,271 | 1,262,826 | 159,539 |
| Charges for service | - | - | 195,951 | |
| Use of money and property | 35,846 | - | - | 1,203 |
| Miscellaneous | 429,937 | - | - | 151 |
| Total revenues | 20,995,248 | 659,861 | 5,650,877 | 525,115 |
| Expenditures: | | | | |
| Services to persons with: | | | | |
| Mental illness | 12,087,140 | 96,340 | 768,314 | 100,532 |
| Intellectual disabilities | 2,327,345 | - | - | - |
| Other developmental disabilities | 1,030,358 | - | - | - |
| Brain injury | 183,866 | - | - | - |
| Total direct services to consumers | 15,628,709 | 96,340 | 768,314 | 100,532 |
| General administration: | | | | |
| Direct administration | 218,700 | 67,418 | 136,272 | - |
| Purchased administration | 175,345 | - | - | - |
| Distribution to MHDS regional fiscal agent | | 577,739 | 5,482,799 | 511,276 |
| Fiscal agent reimbursement to member counties | 4,405,660 | - | - | - |
| Total general administration | 4,799,705 | 645,157 | 5,619,071 | 511,276 |
| County provided case management | 224,198 | 28,067 | - | 28,584 |
| Total mental health, intellectual disabilities and developmental disabilities expenditures | 20,652,612 | 769,564 | 6,387,385 | 640,392 |
| Net change in fund balances | 342,636 | (109,703) | (736,508) | (115,277) |
| Fund balances beginning of year, as restated | 2,295,011 | 187,147 | 1,476,049 | 199,887 |
| Fund balances end of year | \$ 2,637,647 | 77,444 | 739,541 | 84,610 |

Mental Health Funds

| Cerro Gordo County | Chickasaw County | Clayton County | Emmet County | Fayette County | Floyd County | Grundy County | Hancock County | Howard County |
|--------------------|------------------|----------------|--------------|----------------|--------------|---------------|----------------|---------------|
| 1,351,068 | 387,906 | 547,049 | 301,546 | 621,592 | 495,839 | 385,966 | 345,880 | 293,566 |
| 110,917 | 32,463 | 50,515 | - | 59,644 | 41,905 | 31,994 | 26,760 | 28,647 |
| - | - | - | - | - | - | - | - | - |
| 588,095 | - | - | - | 196,465 | 366,819 | 252,964 | - | 140,000 |
| - | - | - | - | - | - | - | - | - |
| - | 51,616 | 900 | 120,640 | 110 | - | - | - | - |
| 699,012 | 84,079 | 51,415 | 120,640 | 256,219 | 408,724 | 284,958 | 26,760 | 168,647 |
| 1,544 | - | - | - | - | - | 47 | - | - |
| - | - | - | - | - | - | - | - | - |
| 33,105 | - | - | 45 | - | 11 | 100 | - | - |
| 2,084,729 | 471,985 | 598,464 | 422,231 | 877,811 | 904,574 | 671,071 | 372,640 | 462,213 |
| 247,786 | - | 349 | - | 95,278 | 123,543 | 130,781 | - | 113,661 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 247,786 | - | 349 | - | 95,278 | 123,543 | 130,781 | - | 113,661 |
| 235,659 | 55,862 | 5,204 | 4,665 | 57,654 | 186,980 | 89,801 | 155 | 27,140 |
| - | - | - | - | - | - | - | - | - |
| 1,727,303 | 526,182 | 681,467 | 553,509 | 888,819 | 649,552 | 730,304 | 446,886 | 473,579 |
| - | - | - | - | - | - | - | - | - |
| 1,962,962 | 582,044 | 686,671 | 558,174 | 946,473 | 836,532 | 820,105 | 447,041 | 500,719 |
| 119,143 | - | - | - | 53,560 | 53,061 | 32,469 | - | - |
| 2,329,891 | 582,044 | 687,020 | 558,174 | 1,095,311 | 1,013,136 | 983,355 | 447,041 | 614,380 |
| (245,162) | (110,059) | (88,556) | (135,943) | (217,500) | (108,562) | (312,284) | (74,401) | (152,167) |
| 495,837 | 198,548 | 112,503 | 177,024 | 305,464 | 216,828 | 421,141 | 174,552 | 315,319 |
| 250,675 | 88,489 | 23,947 | 41,081 | 87,964 | 108,266 | 108,857 | 100,151 | 163,152 |

(continued on next page)

County Social Services

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

Year ended June 30, 2018

| | Special Revenue, | | | |
|-----------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|----------------------|
| | Humboldt County | Kossuth County | Mitchell County | Pocahontas County |
| Revenues: | | | | |
| Property and other county tax | 296,760 | 375,356 | 340,238 | 220,530 |
| Intergovernmental revenues: | | | | |
| State tax credits | 20,437 | 28,870 | 33,482 | 11,929 |
| Payments from member counties | - | - | - | - |
| Payments from MHDS fiscal agent to MHDS regional members | 187,404 | 46,264 | 145,515 | 19,445 |
| Medicaid | - | 34,140 | - | - |
| Other | 5,849 | 479 | - | 6,612 |
| Total intergovernmental revenues | 213,690 | 109,753 | 178,997 | 37,986 |
| Charges for service | - | - | - | - |
| Use of money and property | - | - | - | - |
| Miscellaneous | - | - | - | 123 |
| Total revenues | 510,450 | 485,109 | 519,235 | 258,639 |
| Expenditures: | | | | |
| Services to persons with: | | | | |
| Mental illness | - | - | - | 11,285 |
| Intellectual disabilities | 32,469 | - | - | 6,060 |
| Other developmental disabilities | - | - | - | - |
| Brain injury | - | - | - | - |
| Total direct services to consumers | 32,469 | - | - | 17,345 |
| General administration: | | | | |
| Direct administration | 37,091 | 81,218 | 81,996 | 1,392 |
| Purchased administration | - | - | - | - |
| Distribution to MHDS regional fiscal agent | 467,038 | 543,353 | 412,530 | 341,868 |
| Fiscal agent reimbursement to member counties | - | - | - | - |
| Total general administration | 504,129 | 624,571 | 494,526 | 343,260 |
| County provided case management | 72,135 | 49,475 | 63,905 | - |
| Total mental health, intellectual disabilities and developmental disabilities expenditures | 608,733 | 674,046 | 558,431 | 360,605 |
| Net change in fund balances | (98,283) | (188,937) | (39,196) | (101,966) |
| Fund balances beginning of year, as restated | 175,799 | 530,263 | 130,068 | 155,834 |
| Fund balances end of year | 77,516 | 341,326 | 90,872 | 53,868 |

See notes to financial statements.

Mental Health Funds

| Tama County | Webster County | Winnebago County | Winneshiek County | Worth County | Wright County | Reclassification/ Elimination Entries | Total |
|-------------|----------------|------------------|-------------------|--------------|---------------|------------------------------------------|-------------|
| 530,503 | 1,150,305 | 328,934 | 640,986 | 239,621 | 396,127 | | 14,240,684 |
| 44,844 | 109,485 | 28,319 | 55,651 | 19,556 | 35,262 | (26,555) | 1,179,967 |
| - | - | - | - | - | - | (19,503,444) | - |
| 199,099 | 500,799 | 185,673 | - | 3,010 | 212,861 | (4,255,712) | - |
| - | - | - | - | - | - | 15,325 | 1,062,058 |
| - | - | - | 56,208 | - | - | (130,288) | 126,049 |
| 243,943 | 610,284 | 213,992 | 111,859 | 22,566 | 248,123 | (23,900,674) | 2,368,074 |
| - | 4,197 | - | - | - | - | | 201,739 |
| - | - | - | - | - | - | | 37,049 |
| 11,899 | 1,873 | 1,323 | - | - | 2,949 | - | 481,516 |
| 786,345 | 1,766,659 | 544,249 | 752,845 | 262,187 | 647,199 | (23,900,674) | 17,329,062 |
| 65,849 | 229,409 | 195,334 | - | - | 91,692 | - | 14,357,293 |
| 37,807 | - | 50,588 | - | 3,252 | 2,175 | - | 2,459,696 |
| - | - | - | - | - | - | - | 1,030,358 |
| - | - | - | - | - | - | - | 183,866 |
| 103,656 | 229,409 | 245,922 | - | 3,252 | 93,867 | - | 18,031,213 |
| 80,733 | 98,102 | - | 56,254 | - | 82,032 | 128,288 | 1,732,616 |
| - | - | - | - | - | - | - | 175,345 |
| 726,216 | 1,730,016 | 386,052 | 837,125 | 325,881 | 603,808 | (19,623,302) | - |
| - | - | - | - | - | - | (4,405,660) | - |
| 806,949 | 1,828,118 | 386,052 | 893,379 | 325,881 | 685,840 | (23,900,674) | 1,907,961 |
| 34,077 | 147,084 | - | - | - | 38,811 | - | 944,569 |
| 944,682 | 2,204,611 | 631,974 | 893,379 | 329,133 | 818,518 | (23,900,674) | 20,883,743 |
| (158,337) | (437,952) | (87,725) | (140,534) | (66,946) | (171,319) | - | (3,554,681) |
| 377,554 | 969,387 | 534,263 | 219,575 | 149,694 | 280,002 | - | 10,097,749 |
| 219,217 | 531,435 | 446,538 | 79,041 | 82,748 | 108,683 | - | 6,543,068 |

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

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Change in fund balances | \$ (3,554,681) |
| 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 | |
| | 110,481 |
| Change in net position of governmental activities | <u>\$ (3,444,200)</u> |

County Social Services

County Social Services

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

County Social Services is a jointly governed organization formed pursuant to the provision of Chapter 28E of the Code of Iowa. County Social Services 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 of County Social Services 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 Special Revenue, 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 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the each member county Board of Supervisors in March 2017.

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 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, 2018 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) Loan Receivable

On December 5, 2013, County Social Services entered into a loan agreement with The Spectrum Network to loan The Spectrum Network \$250,000 to purchase a building in Decorah, Iowa. The loan bears no interest and was to be repaid in five annual installments of \$50,000 each, beginning January 2, 2016. County Social Services has a first security mortgage interest in the property.

The Spectrum Network made the first \$50,000 payment in February 2016. On September 1, 2016, County Social Services entered into a lease agreement with The Spectrum Network to lease a portion of the building located in Decorah, Iowa. County Social Services agreed to pay The Spectrum Network \$2,075 per month, allocated as forgiveness of the remaining \$200,000 loan owed to County Social Services, until the loan is repaid. During the year ended June 30, 2018, \$24,900 of lease payments were applied to the loan. The loan receivable at June 30, 2018 is \$154,350.

A summary of the County Social Services June 30, 2018 lease payments is as follows:

| Year Ending June 30, | Building Lease |
|----------------------------|----------------|
| 2020 | \$ 24,900 |
| 2021 | 24,900 |
| 2022 | 24,900 |
| 2023 | 24,900 |
| 2024 | 24,900 |
| 2025 - 2026 | 29,850 |
| Total | \$ 154,350 |

(4) 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.

(5) 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 775 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, 2018 were \$10,970.

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, 2018, no liability has been recorded in County Social Services' financial statements. As of June 30, 2018, 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.

(6) Restatement

Beginning net position for governmental activities and the beginning fund balance for the Special Revenue Fund were restated to properly report the beginning balances. The beginning balances were restated to report the loan receivable which had been omitted. The restated beginning balances are as follows:

| | Governmental Activities | Special Revenue - Fiscal Agent | Special Revenue, Total |
|------------------------------------------------|-------------------------|--------------------------------|------------------------|
| Balances June 30, 2017, as previously reported | \$ 9,950,438 | 2,115,761 | 9,918,499 |
| Loan receivable not previously reported | 179,250 | 179,250 | 179,250 |
| Balances July, 1 2017, as restated | \$ 10,129,688 | 2,295,011 | 10,097,749 |

County Social Services



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

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, 2018, and the related Notes to Financial Statements, which collectively comprise County Social Services' basic financial statements, and have issued our report thereon dated July 5, 2019. 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, Winnebago, 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 an 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

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 immaterial instances of non-compliance or other matters which are 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, 2018 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.

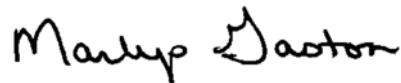
County Social Services' Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

July 5, 2019

County Social Services

Schedule of Findings

Year ended June 30, 2018

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(A) Claims Review

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonest and maximizes the accuracy of the financial statements.

Condition – Supporting documentation for disbursements is received and processed by one person. Although disbursements are reviewed prior to approval, they are not compared to supporting documentation.

A vendor submitted a claim with the same invoice number as a previously paid claim. Although the system rejected the claim, the claim was paid after the vendor stated the payment was not received. As a result, one disbursement was paid twice. The vendor returned the overpayment to County Social Services.

Cause – Procedures have not been designed to adequately segregate duties to provide adequate internal control through additional oversight of transactions and processes.

Effect – Lack of policies and procedures resulted in County Social Services employees not detecting the error in the normal course of performing assigned duties. As a result, a duplicate payment was made.

Recommendation – County Social Services should develop policies and procedures to ensure supporting documentation is reviewed by an independent person prior to approval for payment.

Response – County Social Services has instituted a review process for all claims received and processed by the same person. Prior to claims being sent to the Fiscal Agent for payment, another staff member with no claims processing responsibilities is reviewing these claims.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the financial statements.

Condition – During the audit, we identified a material loan receivable which was not recorded in the County Social Services financial statements. An adjustment was subsequently made to properly include this amount in the financial statements.

County Social Services

Schedule of Findings

Year ended June 30, 2018

Cause – Policies do not require and procedures have not been established to require independent review to ensure the financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County Social Services employees not detecting the loan receivable was not reported in the normal course of performing their assigned functions. As a result, a material adjustment to the financial statements was necessary.

Recommendation – County Social services should implement procedures to ensure all transactions are identified and properly included in the County's financial statements.

Response – County Social Services will include a statement in our Annual Report regarding the original loan amount and the balance remaining on that loan receivable as of the end of each fiscal year until it is repaid in full.

Conclusion – Response accepted.

(C) Revenue Eliminations

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, which required adjustment for reporting purposes.

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 has put these procedures in place with identifying one staff member now designated as our Member County Account Manager. This staff member regularly communicates with member county Auditors regarding Chart of Account numbers to use for Fund 10 transactions.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

County Social Services

Schedule of Findings

Year ended June 30, 2018

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 instituted a procedure after our fiscal year 2017 audit to track publishing dates to ensure compliance with the twenty days.

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.
- (5) Member Support – The twenty-two member counties entered into a 28E agreement which created County Social Services (CSS), a mental health and disability services region. Per Part II, Purpose, of the 28E agreement, CSS is a joint venture between counties established to efficiently and effectively provide mental health and disability services mandated under sections 331.388 through 331.398 of the Code of Iowa. In addition, the 28E agreement states CSS will collect payment for such services.

Part VI, subpart (e) of the 28E agreement states, "The member counties agree to provide support as follows: To contribute the member county's maximum maintenance of effort under the Mental Health and Disability (Fund 10) property tax levy or alternative levels established by state law or agreed to by two-thirds of the entire membership of the Board."

As of June 30, 2018, Kossuth and Winnebago counties had not provided requested support of \$350,445 and \$176,003, respectively, to the CSS. Although CSS has requested payment on the delinquent balances, these balances remain in arrears.

Recommendation – CSS should continue to work with the counties to ensure all requested member support is provided to the Region.

Response – County Social Services continues to work with these counties for resolution. However, County Social Services seems to have no means to force a property tax allocation to be transferred from an unwilling county to the fiscal agent except through the legal/court process. Currently we are in arbitration with Kossuth County.

Conclusion – Response accepted.

County Social Services

Staff

This audit was performed by:

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