



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

August 12, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Northwest Iowa Care Connections for the year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS:**

Northwest Iowa Care Connections' revenues totaled \$806,150 for the year ended June 30, 2019, a 52.8% decrease from the prior year. Expenses for the year ended June 30, 2019 totaled \$1,873,855, a 14.6% decrease from the prior year. The significant decrease in revenues and expenses is due primarily to a decrease in property tax collections in an effort to reduce the Region's fund balance.

**AUDIT FINDING:**

Sand reported one finding related to the receipt and expenditure of taxpayer funds. The finding is found on page 27 of this report. The finding addresses noncompliance with Chapters 21.5 and 28E.6(3)(a) of the Code of Iowa. Sand provided the Region with a recommendation to address this finding.

The finding discussed above is repeated from the prior year. The Regional Governance Board has a fiduciary responsibility to provide oversight of the Region's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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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**NORTHWEST IOWA CARE CONNECTIONS  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SCHEDULE OF FINDINGS**

**JUNE 30, 2019**

**Northwest Iowa Care Connections**



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July 28, 2020

Officials of the Northwest Iowa Care Connections  
Spencer, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Northwest Iowa Care Connections, Spencer, Iowa, for the year ended June 30, 2019. 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 the Northwest Iowa Care Connections 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,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Position	A      10
Statement of Activities	B      11
Balance Sheet	C      12-13
Statement of Revenues, Expenditures and Changes in Fund Balances	D      14-15
Notes to Financial Statements	16-22
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 <u>Government Auditing Standards</u>	24-25
Schedule of Findings	26-27
Staff	28

**Northwest Iowa Care Connections**

**Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bill Leupold	Board Chair	Dickinson County
Barry Anderson	Vice Chair	Clay County
Jayson VandeHoef	Secretary	Osceola County
Mark Behrens	Board Member	Lyon County
Sherri Bootsma	Board Member	O'Brien County
Craig Merrill	Board Member	Palo Alto County
Barry Whitsell	Non-Voting Ex-Officio Board Member	
Scott Witte	Non-Voting Ex-Officio Board Member	
Nancy Ketcham	Non-Voting Ex-Officio Board Member	
Kim Wilson	Chief Executive Officer	

**Northwest Iowa Care Connections**



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Independent Auditor's Report

To the Regional Governance Board of Northwest Iowa Care Connections:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Northwest Iowa Care Connections, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise Northwest Iowa Care Connections' 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 Clay County, Lyon County and Osceola County, which represent the following:

<u>Member County</u>	<u>Share of Assets</u>	<u>Share of Fund Balance</u>	<u>Share of Revenues</u>
Clay County	8.13%	6.27%	20.95%
Lyon County	8.99%	7.32%	15.00%
Osceola County	2.41%	0.46%	7.76%

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 Clay County, Lyon County and Osceola County, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Northwest Iowa Care Connections' 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 the Northwest Iowa Care Connection's 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 3 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 Northwest Iowa Care Connections and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflow of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current year change in that liability. U.S. generally accepted accounting principles require Northwest Iowa Care Connections' 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 inflows resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 3 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 deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on the Governmental Activities” paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Northwest Iowa Care Connections as of June 30, 2019, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinions*

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Northwest Iowa Care Connections as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

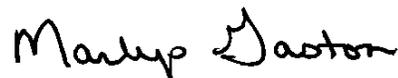
### Other Matters

#### *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 28, 2020 on our consideration of Northwest Iowa Care Connections’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Northwest Iowa Care Connections’ 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 Northwest Iowa Care Connections’ internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

July 28, 2020

**Northwest Iowa Care Connections**

## **Basic Financial Statements**

## Northwest Iowa Care Connections

## Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,139,234
Receivables:	
Property tax:	
Delinquent	571
Succeeding year	955,758
Accounts	7,456
Due from other governments	<u>27,900</u>
<b>Total assets</b>	<u>4,130,919</u>
<b>Liabilities</b>	
Accounts payable	101,623
Salaries and benefits payable	2,763
Due to other governments	<u>54,640</u>
<b>Total liabilities</b>	<u>159,026</u>
<b>Deferred Inflows of Resources</b>	
Unavailable succeeding year property tax	<u>955,758</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 3,016,135</u>
See notes to financial statements.	

Northwest Iowa Care Connections

Statement of Activities

Year ended June 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service		Operating Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Mental health	\$ 1,873,855	29,067	21,613	(1,823,175)
<b>General Revenues:</b>				
Property and other county tax levied for mental health purposes				715,792
State tax credits				39,678
Total general revenues				755,470
Change in net position				(1,067,705)
Net position beginning of year				4,083,840
Net position end of year				\$ 3,016,135

See notes to financial statements.

Northwest Iowa Care Connections

Balance Sheet

June 30, 2019

	Special Revenue,			
	Fiscal Agent	Clay County	Dickinson County	Lyon County
<b>Assets</b>				
Cash and pooled investments	\$ 1,884,472	188,583	151,912	220,080
Receivables:				
Property tax:				
Delinquent	-	275	19	7
Succeeding year	-	147,000	250,000	151,215
Accounts	7,456	-	-	-
Due from other governments	17,361	-	10,539	-
<b>Total assets</b>	<b>\$ 1,909,289</b>	<b>335,858</b>	<b>412,470</b>	<b>371,302</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 101,572	36	-	15
Salaries and benefits payable	-	-	2,114	-
Due to other governments	44,101	-	10,539	-
Total liabilities	145,673	36	12,653	15
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	147,000	250,000	151,215
Other	-	272	10,558	7
Total deferred inflows of resources	-	147,272	260,558	151,222
Fund balances:				
Restricted for mental health purposes	1,763,616	188,550	139,259	220,065
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,909,289</b>	<b>335,858</b>	<b>412,470</b>	<b>371,302</b>

See notes to financial statements.

See notes to financial statements.

<u>Mental Health Funds</u>			
<u>O'Brien County</u>	<u>Osceola County</u>	<u>Palo Alto County</u>	<u>Total</u>
328,059	13,898	352,230	3,139,234
71	64	135	571
194,000	85,543	128,000	955,758
-	-	-	7,456
-	-	-	27,900
<u>522,130</u>	<u>99,505</u>	<u>480,365</u>	<u>4,130,919</u>
-	-	-	101,623
649	-	-	2,763
-	-	-	54,640
<u>649</u>	<u>-</u>	<u>-</u>	<u>159,026</u>
194,000	85,543	128,000	955,758
71	53	134	11,095
<u>194,071</u>	<u>85,596</u>	<u>128,134</u>	<u>966,853</u>
327,410	13,909	352,231	3,005,040
<u>522,130</u>	<u>99,505</u>	<u>480,365</u>	

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

	<u>11,095</u>
Net position of governmental activities	<u>\$ 3,016,135</u>

Northwest Iowa Care Connections

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2019

	Special Revenue,			
	Fiscal Agent	Clay County	Dickinson County	Lyon County
Revenues:				
Property and other county tax	\$ -	154,053	168,267	110,977
Intergovernmental revenues:				
State tax credits	-	-	8,309	8,741
Payments from member counties	431,632	-	-	-
Other	-	13,131	162	-
Total intergovernmental revenues	431,632	13,131	8,471	8,741
Charges for service	28,485	-	-	-
Use of money and property	8,281	-	-	-
Miscellaneous	582	-	-	-
Total revenues	468,980	167,184	176,738	119,718
Expenditures:				
Services to persons with:				
Mental illness	1,372,563	-	93,917	-
Intellectual disability	80,563	-	-	-
Total direct services	1,453,126	-	93,917	-
General administration:				
Direct administration	86,520	99,249	48,808	34,983
Distribution to MHDS regional fiscal agent	-	78,837	37,671	82,484
Total general administration	86,520	178,086	86,479	117,467
Total mental health, intellectual disabilities and developmental disabilities expenditures	1,539,646	178,086	180,396	117,467
Net change in fund balances	(1,070,666)	(10,902)	(3,658)	2,251
Fund balances beginning of year	2,834,282	199,452	142,917	217,814
Fund balances end of year	\$ 1,763,616	188,550	139,259	220,065

See notes to financial statements.

See notes to financial statements.

Mental Health Funds				
O'Brien County	Osceola County	Palo Alto County	Reclassification/ Elimination Entries	Total
131,699	57,031	85,584	-	707,611
11,564	4,891	6,173	-	39,678
-	-	-	(431,632)	-
-	-	39	-	13,332
11,564	4,891	6,212	(431,632)	53,010
-	-	-	-	28,485
-	-	-	-	8,281
-	-	-	-	582
143,263	61,922	91,796	(431,632)	797,969
57,252	-	-	-	1,523,732
-	-	-	-	80,563
57,252	-	-	-	1,604,295
-	-	-	-	269,560
81,530	60,640	90,470	(431,632)	-
81,530	60,640	90,470	(431,632)	269,560
138,782	60,640	90,470	(431,632)	1,873,855
4,481	1,282	1,326	-	(1,075,886)
322,929	12,627	350,905	-	4,080,926
327,410	13,909	352,231	-	3,005,040

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

**Change in fund balances** (1,075,886)

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. 8,181

**Change in net position of governmental activities** \$ (1,067,705)

Northwest Iowa Care Connections

Notes to Financial Statements

June 30, 2019

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

Northwest Iowa Care Connections is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Northwest Iowa Care Connections includes the following member counties: Clay, Dickinson, Lyon, O'Brien, Osceola and Palo Alto. The member counties entered into this 28E agreement on April 25, 2014 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.

Northwest Iowa Care Connections Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designee, from each member county. The Regional Governance Board also includes three individuals who serve in a nonvoting ex officio capacity which include one individual representing either a user of mental health and disability services or is an actively involved relative of such an individual and two individuals representing service providers in the Region.

Northwest Iowa Care Connections designated O'Brien 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, Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections are intended to present the financial position and the changes in financial position of Northwest Iowa Care Connections, which includes funds held by Northwest Iowa Care Connections' 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, Northwest Iowa Care Connections has included all funds, organizations, agencies, commissions and authorities. Northwest Iowa Care Connections 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 the Northwest Iowa Care Connections are such that exclusion would cause Northwest Iowa Care Connections' financial statement 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 Northwest Iowa Care Connections 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 Northwest Iowa Care Connections. Northwest Iowa Care Connections 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 Northwest Iowa Care Connections.

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.

Northwest Iowa Care Connections reports the following major governmental funds:

Special Revenue:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, Northwest Iowa Care Connections considers revenues to be available if they are collected by Northwest Iowa Care Connections 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 Northwest Iowa Care Connections 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, Northwest Iowa Care Connections 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 Northwest Iowa Care Connections' 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, Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at 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 entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2018.

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

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

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

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

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

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

Northwest Iowa Care Connections' deposits in banks at June 30, 2019 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.

Northwest Iowa Care Connections 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 the Northwest Iowa Care Connections, 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.

Northwest Iowa Care Connections 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 Northwest Iowa Care Connections' Regional Governance Board and each individual member county Board of Supervisors, Northwest Iowa Care Connections' Chief Executive Officer, the Coordinators of Disability Services and all support staff of Northwest Iowa Care Connections 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 Northwest Iowa Care Connections.

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. Northwest Iowa Care Connections' governmental activities financial statements do not report these amounts.

**(4) Risk Management**

The Northwest Iowa Care Connections 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 778 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 Region 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.

The Northwest Iowa Care Connections' property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The Northwest Iowa Care Connections' contributions to the Pool for the year ended June 30, 2019 were \$7,099.

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 the Region's 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 the Region's 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 the Region's 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.

The Northwest Iowa Care Connections 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, 2019, no liability has been recorded in the Region's financial statements. As of June 30, 2019, 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.

**(5) Subsequent Events**

In November 2018, Lyon County submitted notice to terminate its membership in Northwest Iowa Care Connections, effective July 1, 2019.

In October 2019, O'Brien County submitted notice to terminate its membership in Northwest Iowa Care Connections, effective June 30, 2020

In November 2019, Dickinson County submitted notice to terminate its membership in Northwest Iowa Care Connections, effective June 30, 2020.

In February 2020, the Board accepted Kossuth County, Winnebago County and Worth County as new members of Northwest Iowa Care Connections, effective July 1, 2020.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Northwest Iowa Care Connections, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Northwest Iowa Care Connection's operations and finances.

**Northwest Iowa Care Connections**



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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 Northwest Iowa Care Connections:

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 Northwest Iowa Care Connections as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, and have issued our report thereon dated July 28, 2020. 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 Clay County, Lyon County and Osceola County as described in our report on Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections' internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections' operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Northwest Iowa Care Connections. 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.

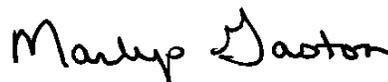
### Northwest Iowa Care Connections' Response to the Finding

Northwest Iowa Care Connections' response to the finding identified in our audit is described in the accompanying Schedule of Findings. Northwest Iowa Care Connections' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 Northwest Iowa Care Connections' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections 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 28, 2020

Northwest Iowa Care Connections

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Northwest Iowa Care Connections

Schedule of Findings

Year ended June 30, 2019

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

- (1) Minutes – No transactions were found that we believe should have been approved in the Northwest Iowa Care Connections’ minutes but were not.

The Board went into closed session on December 18, 2018. The closed session was not in compliance with Chapter 21.5 of the Code of Iowa. The specific exemption under Chapter 21.5 for closing the session was not identified or documented and it was not clear if final action was taken in open session.

In addition, for two of five meeting minutes tested, minutes were not published within 20 days of the meeting as required by Chapter 28E.6(3)(a) of the Code of Iowa.

Recommendation – The Region should comply with Chapters 21.5 and 28E.6(3)(a) of the Code of Iowa.

Response – Northwest Iowa Care Connections will refer to Chapter 21.5 and 28E.6(3)(a) of the Code of Iowa to guide our remediation of this finding.

Conclusion – Response accepted.

- (2) Travel Expense – No expenditures of Northwest Iowa Care Connections’ money for travel expenses of spouses of Northwest Iowa Care Connections 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 Northwest Iowa Care Connections’ investment policy were noted.
- (4) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

Northwest Iowa Care Connections

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Jennifer L. Wall, CPA, Manager  
Brett S. Gillen, CPA, Staff Auditor  
Jason J. Miller, Staff Auditor  
Ronica H. Drury, Staff Auditor