



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

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Des Moines, Iowa 50319-0006

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Rob Sand  
Auditor of State

NEWS RELEASE

FOR RELEASE

September 20, 2021

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Southern Hills Regional Mental Health for the year ended June 30, 2020.

**FINANCIAL HIGHLIGHTS:**

The Southern Hills Regional Mental Health's revenues totaled \$1,079,810 for the year ended June 30, 2020, a less than 1% increase over the prior year. Expenses for the year ended June 30, 2020 totaled \$1,141,073, a 10.2% increase over the prior year. The significant increase in expenses is due primarily to an increase in emergency crisis expenditures and an increase in administrative expenses due to compensated absences.

**AUDIT FINDINGS:**

Sand reported one finding related to the receipt and disbursement of taxpayer funds. It can be found on pages 40 and 41 of this report. The finding addresses revenues and expenditures in the Region's annual report which do not agree to the financial information reported in its member counties' GAAP basis annual financial statements. Sand provided the Southern Hills Regional Mental Health Board with a recommendation to address this finding.

The finding discussed above is repeated from the prior year. The Board has a fiduciary responsibility to provide oversight of the Southern Hills Regional Mental Health'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 in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

###

**SOUTHERN HILLS REGIONAL MENTAL HEALTH**

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

**JUNE 30, 2020**

**Southern Hills Regional Mental Health**



**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

September 14, 2021

Officials of Southern Hills Regional Mental Health  
Union County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Southern Hills Regional Mental Health for the year ended June 30, 2020. 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 Southern Hills Regional Mental Health 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 that reads "Rob Sand". The signature is written in a cursive style with a large, prominent "R" and "S".

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          |
| Reconciliation of the Balance Sheet – Governmental Funds<br>to the Statement of Net Position   | D              | 13          |
| Statement of Revenues, Expenditures and Changes in Fund Balances   | E              | 14-15       |
| Reconciliation of the Statement of Revenues, Expenditures and Changes<br>in Fund Balances – Governmental Funds to the Statement of Activities  | F              | 17          |
| Notes to Financial Statements  |                | 18-31       |
| Required Supplemental Information:   |                |             |
| Schedule of the Region’s Proportionate Share of the Net Pension Liability  |                | 34          |
| Schedule of Region’s Contributions   |                | 35          |
| Notes to Required Supplementary Information – Pension Liability  |                | 36          |
| Schedule of Changes in the Region’s Total OPEB Liability, Related Ratios and Notes   |                | 37          |
| Independent Auditor’s Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br><u>Government Auditing Standards</u> |                | 38-39       |
| Schedule of Findings   |                | 40-41       |
| Staff  |                | 42          |

**Southern Hills Regional Mental Health**

**Regional Governance Board**

| <u>Name</u>        | <u>Title</u>            | <u>Representing</u>                |
|--------------------|-------------------------|------------------------------------|
| Ron Riley          | Board Chair             | Union County Board of Supervisors  |
| John Twombly       | Vice Chair              | Adair County Board of Supervisors  |
| Scott Akin         | Board Member            | Adams County Board of Supervisors  |
| Jerry Murphy       | Board Member            | Taylor County Board of Supervisors |
| Clint Brown        | Board Member            | Crossroads Behavioral Health       |
| Kris Richey        | Board Member            | Children Service Coordinator       |
| Morgan Christensen | Board Member            | Family Member of Adult Participant |
| Lori Nosekabel     | Chief Executive Officer |                                    |

**Southern Hills Regional Mental Health**



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Independent Auditor's Report

To the Regional Governance Board of Southern Hills Regional Mental Health:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southern Hills Regional Mental Health, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise Southern Hills Regional Mental Health's 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 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 Southern Hills Regional Mental Health's 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 Southern Hills Regional Mental Health'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 audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Hills Regional Mental Health as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 7 to the financial statements, Southern Hills Regional Mental Health provided the information to adopt accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to these matters.

## Other Matters

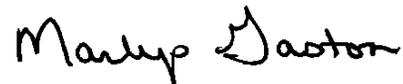
### *Required Supplementary Information*

U.S. generally accepted accounting principles require the Schedule of the Region's Proportionate Share of the Net Pension Liability, the Schedule of Region Contributions and the Schedule of Changes in the Region's Total OPEB Liability, Related Ratios and Notes on pages 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2021 on our consideration of Southern Hills Regional Mental Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Southern Hills Regional Mental Health's 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 Southern Hills Regional Mental Health's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 14, 2021

**Southern Hills Regional Mental Health**

## **Basic Financial Statements**

## Southern Hills Regional Mental Health

## Statement of Net Position

June 30, 2020

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>                               |                                    |
| Cash and pooled investments                 | \$ 515,459                         |
| Receivables:                                |                                    |
| Property tax:                               |                                    |
| Delinquent                                  | 12,707                             |
| Succeeding year                             | 922,000                            |
| Prepaid Expenses                            | 32,530                             |
| <b>Total assets</b>                         | <u>1,482,696</u>                   |
| <b>Deferred Outflows of Resources</b>       |                                    |
| Pension related deferred outflows           | 22,770                             |
| OPEB related deferred outflows              | 2,112                              |
| <b>Total deferred outflows of resources</b> | <u>24,882</u>                      |
| <b>Liabilities</b>                          |                                    |
| Accounts payable                            | 87,342                             |
| Salaries and benefits payable               | 134                                |
| Due to other governments                    | 12,577                             |
| Long-term liabilities:                      |                                    |
| Portion due or payable within one year:     |                                    |
| Compensated absences                        | 10,377                             |
| Total OPEB liability                        | 1,089                              |
| Portion due or payable after one year:      |                                    |
| Compensated absences                        | 10,376                             |
| Net pension liability                       | 96,740                             |
| Total OPEB liability                        | 12,513                             |
| <b>Total liabilities</b>                    | <u>231,148</u>                     |
| <b>Deferred Inflows of Resources</b>        |                                    |
| Unavailable property tax revenue            | 922,000                            |
| Pension related deferred inflows            | 15,491                             |
| OPEB related deferred inflows               | 4,459                              |
| <b>Total deferred inflows of resources</b>  | <u>941,950</u>                     |
| <b>Net Position</b>                         |                                    |
| Restricted for mental health purposes       | <u><u>\$ 334,480</u></u>           |

See notes to financial statements.

Southern Hills Regional Mental Health

Statement of Activities

Year ended June 30, 2020

|   | <u>Expenses</u> | <u>Program<br/>Revenues</u> | <u>Charges<br/>for<br/>Service</u> | <u>Net (Expense)<br/>Revenue<br/>and Changes<br/>in Net Position</u> |
|---|-----------------|-----------------------------|------------------------------------|--|
| Governmental activities:  |                 |                             |                                    |  |
| Mental health   | \$ 1,141,073    |                             | 5,802                              | (1,135,271)  |
| <b>General Revenues:</b>  |                 |                             |                                    |  |
| Property and other county tax levied for mental health purposes |                 |                             |                                    | 988,403  |
| State tax credits   |                 |                             |                                    | 85,605   |
| Total general revenues  |                 |                             |                                    | <u>1,074,008</u>   |
| Change in net position  |                 |                             |                                    | (61,263)   |
| Net position beginning of year, as restated                     |                 |                             |                                    | <u>395,743</u>   |
| Net position end of year  |                 |                             |                                    | <u>\$ 334,480</u>  |

See notes to financial statements.

Southern Hills Regional Mental Health

Balance Sheet

June 30, 2020

|   | Special Revenue, Mental Health Funds |                |                |                |                | Adjustment * | Total            |
|---|--------------------------------------|----------------|----------------|----------------|----------------|--------------|------------------|
|   | Fiscal Agent                         | Adams County   | Adair County   | Taylor County  | Union County   |              |                  |
| <b>Assets</b>   |                                      |                |                |                |                |              |                  |
| Cash and pooled investments   | \$ 444,449                           | 7,066          | 1,122          | 7,257          | 55,565         | -            | 515,459          |
| Receivables:  |                                      |                |                |                |                |              |                  |
| Property tax:   |                                      |                |                |                |                |              |                  |
| Delinquent  | -                                    | 785            | 1,837          | 1,870          | 8,215          | -            | 12,707           |
| Succeeding year   | -                                    | 138,000        | 235,000        | 159,000        | 390,000        | -            | 922,000          |
| Prepaid Expenditures  | 32,530                               | -              | -              | -              | -              | -            | 32,530           |
| <b>Total assets</b>   | <b>\$ 476,979</b>                    | <b>145,851</b> | <b>237,959</b> | <b>168,127</b> | <b>453,780</b> |              | <b>1,482,696</b> |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>       |                                      |                |                |                |                |              |                  |
| Liabilities:  |                                      |                |                |                |                |              |                  |
| Accounts payable  | \$ 87,342                            | -              | -              | -              | -              | -            | 87,342           |
| Salaries and benefits payable   | 134                                  | -              | -              | -              | -              | -            | 134              |
| Due to other governments  | 12,577                               | -              | -              | -              | -              | -            | 12,577           |
| Compensated absences  | 20,753                               | -              | -              | -              | -              | (20,753)     | -                |
| Total liabilities   | 120,806                              | -              | -              | -              | -              | (20,753)     | 100,053          |
| Deferred inflows of resources:  |                                      |                |                |                |                |              |                  |
| Unavailable revenues:   |                                      |                |                |                |                |              |                  |
| Succeeding year property tax  | -                                    | 138,000        | 235,000        | 159,000        | 390,000        | -            | 922,000          |
| Other   | -                                    | 471            | 1,837          | 1,870          | 8,215          | -            | 12,393           |
| Total deferred inflows of resources                                       | -                                    | 138,471        | 236,837        | 160,870        | 398,215        | -            | 934,393          |
| Fund balances:  |                                      |                |                |                |                |              |                  |
| Restricted for mental health purposes                                     | 356,173                              | 7,380          | 1,122          | 7,257          | 55,565         | 20,753       | 448,250          |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 476,979</b>                    | <b>145,851</b> | <b>237,959</b> | <b>168,127</b> | <b>453,780</b> | <b>-</b>     | <b>1,482,696</b> |

\* Adjustment column to eliminate compensated absences to report the fiscal agent on the modified accrual basis of accounting.

See notes to financial statements.

Southern Hills Regional Mental Health  
 Reconciliation of the Balance Sheet-  
 Governmental Funds to the Statement of Net Position

Year ended June 30, 2020

**Total governmental fund balances (page 12)** \$ 448,250

***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 12,393

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental

|                                |           |       |
|--------------------------------|-----------|-------|
| Deferred outflows of resources | \$ 24,882 |       |
| Deferred inflows of resources  | (19,950)  | 4,932 |

Long-term liabilities, including compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (131,095)

**Net position of governmental activities (page 10)** \$ 334,480

See notes to financial statements.

Southern Hills Regional Mental Health

Statement of Revenues, Expenditures  
And changes in Fund Balances

Year ended June 30, 2020

|   | Special Revenue, Mental Health Funds |                 |                 |                  |                 |
|---|--------------------------------------|-----------------|-----------------|------------------|-----------------|
|   | Fiscal<br>Agent                      | Adams<br>County | Adair<br>County | Taylor<br>County | Union<br>County |
| Revenues:   |                                      |                 |                 |                  |                 |
| Property and other county tax   | \$ -                                 | 141,793         | 237,630         | 148,087          | 452,242         |
| Intergovernmental revenues:   |                                      |                 |                 |                  |                 |
| State tax credits   | -                                    | 9,492           | 12,923          | 10,713           | 42,279          |
| Payments from member counties   | 1,061,731                            | -               | -               | -                | -               |
| Other   | -                                    | 2,048           | 8,150           | -                | -               |
| Total intergovernmental revenues  | 1,061,731                            | 11,540          | 21,073          | 10,713           | 42,279          |
| Miscellaneous   | 5,802                                | -               | -               | -                | -               |
| Total revenues  | 1,067,533                            | 153,333         | 258,703         | 158,800          | 494,521         |
| Expenditures:   |                                      |                 |                 |                  |                 |
| Services to persons with:   |                                      |                 |                 |                  |                 |
| Mental illness  | 837,244                              | -               | -               | -                | -               |
| Intellectual disabilities   | 38,659                               | -               | -               | -                | -               |
| Total direct services   | 875,903                              | -               | -               | -                | -               |
| General administration:   |                                      |                 |                 |                  |                 |
| Direct administration   | 259,582                              | -               | -               | -                | -               |
| Distribution to MHDS regional fiscal agent  | -                                    | 150,209         | 258,796         | 157,570          | 495,156         |
| Total general administration  | 259,582                              | 150,209         | 258,796         | 157,570          | 495,156         |
| Total mental health, intellectual disabilities<br>and developmental disabilities expenditures | 1,135,485                            | 150,209         | 258,796         | 157,570          | 495,156         |
| Net change in fund balances   | (67,952)                             | 3,124           | (93)            | 1,230            | (635)           |
| Fund balances beginning of year   | 424,125                              | 4,256           | 1,215           | 6,027            | 56,200          |
| Fund balances end of year   | \$ 356,173                           | 7,380           | 1,122           | 7,257            | 55,565          |

\* Adjustment column to eliminate compensated absence activity to report the fiscal agent on the modified accrual basis of accounting.

See notes to financial statement.

| Elimination<br>Entries | Adjustment * | Region<br>Total |
|------------------------|--------------|-----------------|
| -                      |              | 979,752         |
| -                      | -            | 75,407          |
| (1,061,731)            | -            | -               |
| -                      | -            | 10,198          |
| (1,061,731)            | -            | 85,605          |
| -                      | -            | 5,802           |
| (1,061,731)            | -            | 1,071,159       |
| -                      | -            | 837,244         |
| -                      | -            | 38,659          |
| -                      | -            | 875,903         |
| -                      | (20,753)     | 238,829         |
| (1,061,731)            |              | -               |
| (1,061,731)            | (20,753)     | 238,829         |
| (1,061,731)            | (20,753)     | 1,114,732       |
| -                      | 20,753       | (43,573)        |
| -                      | -            | 491,823         |
| -                      | 20,753       | 448,250         |

**Southern Hills Regional Mental Health**

Southern Hills Regional Mental Health

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

Year ended June 30, 2020

**Change in fund balances - Total governmental funds (page 15)** \$ (43,573)

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Because some revenues will not be collected for several months after the Region's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. 8,651

The current year Region's IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 12,140

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                      |             |          |
|----------------------|-------------|----------|
| Compensated absences | \$ (20,753) |          |
| OPEB expense         | (140)       |          |
| Pension expense      | (17,588)    | (38,481) |
|                      |             |          |

**Change in net position of governmental activities (page 11)** \$ (61,263)

See notes to financial statements.

# Southern Hills Regional Mental Health

## Notes to Financial Statements

June 30, 2020

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

Southern Hills Regional Mental Health (Southern Hills) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Southern Hills includes the following member counties: Adair, Adams, Taylor and Union Counties. The member counties entered into this 28E agreement on July 1, 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.

Southern Hills' 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, serving in a nonvoting, ex officio capacity.

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

Southern Hills' 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 Southern Hills Regional Mental Health are intended to present the financial position and the changes in financial position of Southern Hills Regional Mental Health, which includes funds held by Southern Hills Regional Mental Health's 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, Southern Hills has included all funds, organizations, agencies, commissions and authorities. Southern Hills 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 Southern Hills are such that exclusion would cause Southern Hills' 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 Southern Hills 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 Southern Hills. Southern Hills 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 Southern Hills Regional Mental Health.

The Statement of Net Position presents the assets, deferred outflows of resources, 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.

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.

Southern Hills Regional Mental Health reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of Southern Hills Regional Mental Health 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, Southern Hills Regional Mental Health considers revenues to be available if they are collected by Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health 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, Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health's 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, Southern Hills Regional Mental Health's policy is to pay the expenditure from restricted fund balance and then from less-restrictive unassigned fund balances.

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

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

Cash and Pooled Investments – The cash balances of most Southern Hills Regional Mental Health 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 the non-negotiable certificates of deposit which are stated at amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is recorded 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2019.

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.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Mental Health Region after the measurement date but before the end of the Region’s reporting period.

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

Compensated Absences – Region 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. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributed to the governmental activities will be paid by the Special Revenue, Mental Health Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the fiscal agent, Union County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributed to the governmental activities will be paid by the Special Revenue, Mental Health Fund.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between the projected and actual earnings on pension plan assets.

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**

Southern Hills Regional Mental Health's deposits in banks at June 30, 2020 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.

Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health; 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.

Southern Hills Regional Mental Health had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

|   | Net<br>Pension<br>Liability | Total<br>OPEB<br>Liability | Compensated<br>Absences | Total   |
|---|-----------------------------|----------------------------|-------------------------|---------|
| Balance beginning of year,<br>as restated | \$ 106,454                  | 17,834                     | -                       | 124,288 |
| Increases                                 | -                           | -                          | 20,753                  | 20,753  |
| Decreases                                 | 9,714                       | 4,232                      | -                       | 13,946  |
| Balance end of year                       | \$ 96,740                   | 13,602                     | 20,753                  | 131,095 |
| Due within one year                       | \$ -                        | 1,089                      | 10,377                  | 11,466  |

### (4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Region, except for those covered by another retirement system. Employees of the Region are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member’s earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS’ Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Region contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Region’s contributions to IPERS for the year ended June 30, 2020 were \$12,140.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Region reported a liability of \$96,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Region’s proportion of the net pension liability was based on the Region’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Region’s proportion was 0.001671%, which was a decrease of 0.000012% from its collective proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Region recognized pension expense of \$17,588. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 268                            | 3,478                            |
| Changes of assumptions   | 10,362                            | -                                |
| Net difference between projected and actual earnings on IPERS' investments   | -                                 | 10,902                           |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | -                                 | 1,111                            |
| County contributions subsequent to the measurement date  | 12,140                            | -                                |
| Total  | <u>\$ 22,770</u>                  | <u>15,491</u>                    |

\$12,140 reported as deferred outflows of resources related to pensions resulting from Region contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending<br>June 30, | Amount            |
|-------------------------|-------------------|
| 2021                    | \$ 1,846          |
| 2022                    | (2,573)           |
| 2023                    | (1,847)           |
| 2024                    | (1,964)           |
| 2025                    | (323)             |
| Total                   | <u>\$ (4,861)</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2017)                   | 2.60% per annum.  |
| Rates of salary increase<br>(effective June 30, 2017)            | 3.25 to 16.25% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 2017) | 7.00% compounded annually, net of investment<br>expense, including inflation.   |
| Wage growth<br>(effective June 30, 2017)                         | 3.25% per annum, based on 2.60% inflation<br>and 0.65% real wage inflation.     |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class              | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|------------------|--|
| Domestic equity          | 22.0%            | 5.60%                                  |
| International equity     | 15.0             | 6.08                                   |
| Global smart beta equity | 3.0              | 5.82                                   |
| Core plus fixed income   | 27.0             | 1.71                                   |
| Public credit            | 3.5              | 3.32                                   |
| Public real assets       | 7.0              | 2.81                                   |
| Cash                     | 1.0              | (0.21)                                 |
| Private equity           | 11.0             | 10.13                                  |
| Private real assets      | 7.5              | 4.76                                   |
| Private credit           | 3.0              | 3.01                                   |
| T Total                  | 100.0%           |  |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Region will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Region's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Region's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

|  | 1%<br>Decrease<br>(6.00%) | Discount<br>Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| Region's proportionate share of<br>the net pension liability | \$ 171,779                | 96,740                      | 33,798                    |

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required Region contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Region to IPERS by June 30, 2020.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – Union County, as the Fiscal Agent for the Southern Hills Regional Mental Health, administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Southern Hills Mental Health Region and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, two active employees were covered by the benefit terms. There are two active and no inactive employees at June 30, 2020.

Total OPEB Liability – The Region’s total OPEB liability of \$13,602 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions – The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

|  |   |
|--|---|
| Rate of inflation<br>(effective July 1, 2019)        | 3.00% per annum.  |
| Rates of salary increase<br>(effective July 1, 2019) | 2.50% per annum.  |
| Discount rate<br>(effective July 1, 2019)            | 3.50% compounded annually, net of investment<br>expense, including inflation. |
| Healthcare cost trend rate                           | 5.00% for all years   |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

Changes in the Total OPEB Liability

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Total OPEB liability beginning of year, as restated    | <u>\$ 17,834</u>                |
| Changes for the year:                                  |                                 |
| Service cost   | 926                             |
| Interest   | 478                             |
| Differences between expected<br>and actual experiences | (4,607)                         |
| Changes in assumptions                                 | 60                              |
| Benefit payments                                       | <u>(1,089)</u>                  |
| Net changes  | <u>(4,232)</u>                  |
| Total OPEB liability end of year                       | <u>\$ 13,602</u>                |

Sensitivity of the Mental Health Region's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Mental Health Region, as well as what the Mental Health Region's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

|                      | <u>1%<br/>Decrease<br/>(2.50%)</u> | <u>Discount<br/>Rate<br/>(3.50%)</u> | <u>1%<br/>Increase<br/>(4.50%)</u> |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB liability | \$ 14,458                          | 13,602                               | 12,799                             |

Sensitivity of the Mental Health Region's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Mental Health Region, as well as what the Region's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

|                      | <u>1%<br/>Decrease<br/>(4.00%)</u> | <u>Healthcare<br/>Cost Trend<br/>Rate<br/>(5.00%)</u> | <u>1%<br/>Increase<br/>(6.00%)</u> |
|----------------------|------------------------------------|---|------------------------------------|
| Total OPEB liability | \$ 12,427                          | 13,602  | 14,977                             |

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$140. At June 30, 2020, the Mental Health Region reported deferred outflows and inflows of resources related to OPEB from the following resources:

|   | <u>Deferred Inflows<br/>of Resources</u> | <u>Deferred Outflows<br/>of Resources</u> |
|---|--|---|
| Differences between expected and<br>actual experience | \$ 4,177                                 | 2,057                                     |
| Changes in assumptions                                | 282                                      | 55  |
| Total   | <u>\$ 4,459</u>                          | <u>2,112</u>                              |

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Year ending<br>June 30, | Amount            |
|-------------------------|-------------------|
| 2021                    | \$ (175)          |
| 2022                    | (175)             |
| 2023                    | (175)             |
| 2024                    | (175)             |
| 2025                    | (175)             |
| Thereafter              | <u>(1,472)</u>    |
|                         | <u>\$ (2,347)</u> |

**(6) Risk Management**

Southern Hills Regional Mental Health 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 779 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.

Southern Hills Regional Mental Health’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. Southern Hills Regional Mental Health’s contributions to the Pool for the year ended June 30, 2020 were \$4,979.

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 Southern Hills' 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 Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health'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.

Southern Hills Regional Mental Health 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, 2020, no liability has been recorded in Southern Hills Regional Mental Health's financial statements. As of June 30, 2020, 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.

Southern Hills also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. Southern Hills assumes liability for any deductibles and claims in excess of the coverage limitation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Restatements**

For fiscal year 2020, the Region provided information to report in accordance with GASB Statement No 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Beginning net position for governmental activities was restated to report the beginning net pension liability and the related deferred outflows of resources and deferred inflows of resources, and the beginning Total OPEB liability and the related deferred outflows of resources as follows:

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Net position June 30, 2019, as previously reported  | \$ 495,565                         |
| Pension liability and related deferred inflows of resources<br>and related deferred outflows of resources | (84,013)                           |
| OPEB liability and related deferred outflows of resources   | <u>(15,809)</u>                    |
| Net position July 1, 2019, as restated  | <u>\$ 395,743</u>                  |

**(8) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Southern Hills Regional Mental Health, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Southern Hills Regional Mental Health. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Southern Hills Regional Mental Health.

**Southern Hills Regional Mental Health**

**Required Supplemental Information**

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Southern Hills Regional Mental Health

Schedule of Region's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Year Ended June 30, 2020  
(In Thousands)

Required Supplementary Information

|  | <u>2020</u> |
|--|-------------|
| Region's proportion of the net pension liability   | 0.001671%   |
| Region's proportionate share of the net pension liability  | \$ 97       |
| Region's covered payroll   | 116         |
| Region's proportionate share of the net pension liability as a percentage of its covered payroll | 83.62%      |
| IPERS' net position as a percentage of the total pension liability                               | 85.45%      |

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

**Note:** GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Region will present information for those years for which information is available.

See accompanying independent auditor's report.

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Southern Hills Regional Mental Health

Schedule of Region's Contributions

Iowa Public Employees' Retirement System  
For the Last Two Years  
(In Thousands)

Required Supplementary Information

|   | 2020   | 2019  |
|---|--------|-------|
| Statutorily required contribution                                     | \$ 12  | 11    |
| Contributions in relation to the<br>statutorily required contribution | (12)   | (11)  |
| Contribution deficiency (excess)                                      | \$ -   | -     |
| County's covered payroll  | \$ 120 | 116   |
| Contributions as a percentage of<br>covered payroll *                 | 9.44%  | 9.44% |

\* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

**Note:** GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Region will present information for those years for which information is available.

See accompanying independent auditor's report.

Southern Hills Regional Mental Health

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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Southern Hills Regional Mental Health

Schedule of Changes in the County's  
Total OPEB Liability, Related Ratios and Notes

For the Last Year Ended June 30, 2020

Required Supplementary Information

|   | <u>2020</u>      |
|---|------------------|
| Service cost  | \$ 926           |
| Interest cost   | 478              |
| Difference between expected and<br>actual experiences               | (4,607)          |
| Changes in assumptions  | 60               |
| Benefit payments  | <u>(1,089)</u>   |
| Net change in total OPEB liability                                  | <u>(4,232)</u>   |
| Total OPEB liability beginning of year, as restated                 | <u>17,834</u>    |
| Total OPEB liability end of year                                    | <u>\$ 13,602</u> |
| Covered-employee payroll  | \$ 120,310       |
| Total OPEB liability as a percentage<br>of covered-employee payroll | 11.3%            |

See accompanying independent auditor's report.

**Notes to Schedule of Changes in the Region's Total OPEB Liability and Related Ratios**

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

|                          |       |
|--------------------------|-------|
| Year ended June 30, 2020 | 3.50% |
| Year ended June 30, 2019 | 3.58% |



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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 Southern Hills Regional Mental Health:

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 Southern Hills Regional Mental Health as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise Southern Hills Regional Mental Health's basic financial statements, and have issued our report thereon dated September 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Hills Regional Mental Health's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Hills Regional Mental Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Hills Regional Mental Health's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Southern Hills 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 charge with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Hills Regional Mental Health's 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.

Comments involving statutory and other legal matters about Southern Hills Regional Mental Health's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Southern Hills Regional Mental Health. 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.

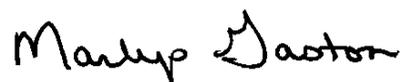
### Southern Hills Regional Mental Health's Responses to the Findings

Southern Hills Regional Mental Health's response to the finding identified in our audit is described in the accompanying Schedule of Findings. Southern Hills Regional Mental Health's 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 Southern Hills Regional Mental Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southern Hills Regional Mental Health's 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 Southern Hills Regional Mental Health 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

September 14, 2021

Southern Hills Regional Mental Health

Schedule of Findings

Year ended June 30, 2020

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

Annual Report

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 Region’s financial statements.

Condition – Revenues and expenditures in the Southern Hills Mental Health Region’s Annual Report did not agree to financial information reported in its member counties’ respective GAAP-basis annual financial reports.

Cause – Region policies and procedures have not been established to require independent review of member counties’ annual financial reports and year end cut-off transactions to ensure the Region’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Region employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Region should verify financial information presented in its annual report agrees to the GAAP-basis financial information reported in its respective member counties’ annual financial reports.

Response – The Region will continue to work with member counties and fiscal agent to correct this issue.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Southern Hills Regional Mental Health

Schedule of Findings

Year ended June 30, 2020

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

- (1) Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.
- (2) Travel Expense – No expenditures of Southern Hills Regional Mental Health’s money for travel expenses of spouses of officials or employees were noted.
- (3) Restricted Donor Activity – No transactions were noted between the Region, Region officials, Region employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (4) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and Southern Hills Regional Mental Health’s investment policy were noted.
- (5) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

Southern Hills Regional Mental Health

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Michelle B. Meyer, CPA, Manager  
Adjoa S. Adanledji, Senior Auditor