



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

July 5, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Mental Health Disability Services of the East Central Region (MHDS-ECR) for the year ended June 30, 2015.

MHDS-ECR's revenues totaled \$49,027,919 for the year ended June 30, 2015, including \$20,410,138 from property and other county tax, \$1,210,111 from state tax credits, \$169,279 from charges for service, \$8,564,673 from operating grants, contributions and restricted interest, \$8,941 from unrestricted investment earnings and \$18,664,777 of initial contributions from member counties.

Expenditures for the year ended June 30, 2015 totaled \$19,141,700, and included \$14,875,037 for direct services to consumers and \$4,266,533 for general administration.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1514-2363-B00F>.

###

**MENTAL HEALTH DISABILITY SERVICES
OF THE EAST CENTRAL REGION**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

Table of Contents

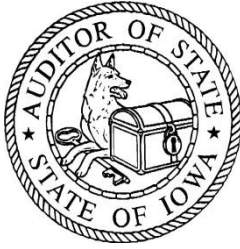
		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Position	A	10
Statement of Activities	B	11
Balance Sheet	C	12-13
Statement of Revenues, Expenditures and Changes in Fund Balances	D	14-15
Notes to Financial Statements		16-20
Supplementary Information:	<u>Schedule</u>	
Schedule of Expenditures of Federal Awards	1	23
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>		25-26
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		27-28
Schedule of Findings and Questioned Costs		29-30
Staff		31

**Mental Health Disability Services
of the East Central Region**

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Wayne Manternach	Board Chair	Jones County Board of Supervisors
Rod Sullivan	Vice Chair	Johnson County Board of Supervisors
Don Frese	Board Member	Benton County Board of Supervisors
Duane Hildebrandt	Board Member	Bremer County Board of Supervisors
Ellen Gaffney	Board Member	Buchanan County Board of Supervisors
Shirley Helmrichs	Board Member	Delaware County Board of Supervisors
Daryl Klein	Board Member	Dubuque County Board of Supervisors
Vicki Pope	Board Member	Iowa County Board of Supervisors
Ben Rogers	Board Member	Linn County Board of Supervisors
Diane Brecht	Non-Voting Ex-Officio Board Member	
Corrina Todd	Non-Voting Ex-Officio Board Member	
Marilyn Austin	Chief Executive Officer (Retired Jan 2015)	
Mechelle Dhondt	Chief Executive Officer (Appointed Jan 2015)	

**Mental Health Disability Services
of the East Central Region**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Regional Governance Board of
Mental Health Disability Services of the East Central Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Mental Health Disability Services of the East Central Region (MHDS-ECR), as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise MHDS-ECR'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 did not audit the Special Revenue, Mental Health Funds of Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Johnson County and Linn 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>
Benton	5.32%	6.24%	3.68%
Bremer	4.98%	5.30%	4.72%
Buchanan	5.98%	7.61%	3.96%
Delaware	2.84%	2.45%	3.64%
Dubuque	19.11%	19.68%	18.31%
Iowa	4.65%	5.83%	2.94%
Johnson	15.83%	16.49%	18.48%
Linn	33.17%	29.72%	36.83%

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 Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Johnson County and Linn 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 MHDS-ECR'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 the MHDS-ECR'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

Basis for Adverse Opinion on the Governmental Activities

As discussed in Note 4, 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 MHDS-ECR 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 4, management has not recorded a liability for other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require MHDS-ECR's annual OPEB costs based on the annual required contribution of MHDS-ECR, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 4, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters 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 MHDS-ECR as of June 30, 2015, or the changes in its financial position thereof 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 MHDS-ECR as of June 30, 2015, 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.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MHDS-ECR's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Governmental Activities" paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2016 on our consideration of MHDS-ECR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MHDS-ECR's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 28, 2016

**Mental Health Disability Services
of the East Central Region**

Basic Financial Statements

Exhibit A

Mental Health Disability Services
of the East Central Region

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 31,304,585
Receivables:	
Property tax:	
Delinquent	46,940
Succeeding year	20,276,974
Accounts	104,936
Due from other governments	508,089
Prepaid expenses	58,414
Total assets	<u>52,299,938</u>
Liabilities	
Accounts payable	2,047,860
Salaries and benefits payable	71,939
Due to other governments	19,084
Total liabilities	<u>2,138,883</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>20,274,836</u>
Net Position	
Restricted for mental health purposes	<u><u>\$ 29,886,219</u></u>

See notes to financial statements.

Mental Health Disability Services
of the East Central Region

Statement of Activities

Year ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Governmental activities:				
Mental health	\$ 19,141,700	169,279	8,564,673	(10,407,748)
General Revenues and Special Item:				
Property and other county tax levied for mental health purposes				20,410,138
State tax credits				1,210,111
Unrestricted investment earnings				8,941
Special item - initial contributions from member counties				18,664,777
Total general revenues and special item				40,293,967
Change in net position				29,886,219
Net position beginning of year				-
Net position end of year				\$ 29,886,219

See notes to financial statements.

Mental Health Disability Services
of the East Central Region

Balance Sheet

June 30, 2015

	Fiscal Agent	Benton County	Bremer County	Buchanan County
Assets				
Cash, cash equivalents and pooled investments	\$ 2,784,214	1,833,567	1,523,002	2,224,294
Receivables:				
Property tax:				
Delinquent	-	3,270	3,010	853
Succeeding year	2,138	909,220	998,156	844,734
Accounts	487	-	-	-
Due from other governments	564,170	34,086	76,341	57,046
Prepaid expenditures	-	-	1,690	125
Total assets	\$ 3,351,009	2,780,143	2,602,199	3,127,052
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,645,945	168	13,468	135
Salaries and benefits payable	-	3,741	7,578	1,850
Due to other governments	1,195,262	4,770	254	9,779
Total liabilities	2,841,207	8,679	21,300	11,764
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	909,220	998,156	844,734
Other	-	1,646	3,010	2,730
Total deferred inflows of resources	-	910,866	1,001,166	847,464
Fund balances:				
Nonspendable for prepaid expenditures	-	-	1,690	125
Restricted for mental health purposes	509,802	1,860,598	1,578,043	2,267,699
Total fund balances	509,802	1,860,598	1,579,733	2,267,824
Total liabilities, deferred inflows of resources and fund balances	\$ 3,351,009	2,780,143	2,602,199	3,127,052

See notes to financial statements.

Special Revenue, Mental Health Funds							
Delaware County	Dubuque County	Iowa County	Johnson County	Jones County	Linn County	Elimination Entries	Total
674,990	5,807,117	1,719,681	4,651,366	1,415,693	8,670,661	-	31,304,585
306	9,568	2,391	3,718	678	23,146	-	46,940
738,000	3,957,161	687,000	3,149,424	796,000	8,195,141	-	20,276,974
52,303	52,136	-	10	-	-	-	104,936
21,450	170,606	20,286	474,475	98,195	400,819	(1,409,385)	508,089
-	-	-	-	-	56,599	-	58,414
1,487,049	9,996,588	2,429,358	8,278,993	2,310,566	17,346,366	(1,409,385)	52,299,938
16,536	149,939	891	17,899	684	202,195	-	2,047,860
2,867	12,397	-	20,096	4,166	19,244	-	71,939
-	-	1,272	170,392	27,929	18,811	(1,409,385)	19,084
19,403	162,336	2,163	208,387	32,779	240,250	(1,409,385)	2,138,883
738,000	3,957,161	687,000	3,149,424	796,000	8,195,141	-	20,274,836
301	9,554	1,343	3,495	571	49,488	-	72,138
738,301	3,966,715	688,343	3,152,919	796,571	8,244,629	-	20,346,974
-	-	-	-	-	56,599	-	58,414
729,345	5,867,537	1,738,852	4,917,687	1,481,216	8,804,888	-	29,755,667
729,345	5,867,537	1,738,852	4,917,687	1,481,216	8,861,487	-	29,814,081
1,487,049	9,996,588	2,429,358	8,278,993	2,310,566	17,346,366	(1,409,385)	

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

	72,138
Net position of governmental activities	<u>\$ 29,886,219</u>

Mental Health Disability Services
of the East Central Region
Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2015

	Fiscal Agent	Benton County	Bremer County	Buchanan County
Revenues:				
Property and other county tax	\$ -	848,241	1,098,682	931,983
Intergovernmental revenues:				
State tax credits	-	66,558	69,331	68,613
MH-DD reimbursement from other governments	-	-	-	-
Payments from member counties	13,264,108	-	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	175,716	-	-
Mental health and disability services equalization	5,732,110	-	-	-
Social services block grant	-	22,933	63,876	-
Medicaid	-	-	-	107,677
Other	10,675	96	178,174	90,866
Total intergovernmental revenues	19,006,893	265,303	311,381	267,156
Use of money and property	8,941	-	-	-
Miscellaneous	57,599	990	20,393	146
Total revenues	19,073,433	1,114,534	1,430,456	1,199,285
Expenditures:				
Services to persons with:				
Mental illness	11,809,717	30,154	62,744	69,039
Intellectual disabilities	784,522	170	1,092	10,217
Other developmental disabilities	920,302	-	-	1,376
Total direct services to consumers	13,514,541	30,324	63,836	80,632
General administration:				
Direct administration	13,597	153,862	121,845	108,018
Purchased administration	260,043	6,406	-	-
Distribution to MHDS regional fiscal agent	-	476,556	640,618	540,174
Fiscal agent reimbursement to member counties	4,775,450	-	-	-
Total general administration	5,049,090	636,824	762,463	648,192
County provided case management	-	-	-	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	18,563,631	667,148	826,299	728,824
Excess of revenues over expenditures	509,802	447,386	604,157	470,461
Special item - initial contributions from member counties	-	1,413,212	975,576	1,797,363
Net change in fund balances	509,802	1,860,598	1,579,733	2,267,824
Fund balances beginning of year	-	-	-	-
Fund balances end of year	\$ 509,802	1,860,598	1,579,733	2,267,824

See notes to financial statements.

Special Revenue, Mental Health Funds						Reclassification/ Elimination	Total
Delaware County	Dubuque County	Iowa County	Johnson County	Jones County	Linn County	Entries	
785,506	4,299,489	693,083	3,063,818	831,715	7,785,483	-	20,338,000
53,465	276,642	45,269	142,265	60,297	427,671	-	1,210,111
192,987	-	-	-	-	-	(192,987)	-
-	-	-	-	-	-	(13,264,108)	-
-	220,860	146,857	1,557,684	195,351	-	(2,296,468)	-
-	-	-	-	-	-	-	5,732,110
67,577	703,990	6,113	817,980	15,433	924,105	47,004	2,669,011
-	-	-	-	-	203,392	(274,218)	36,851
-	-	634	-	114,969	1,790,068	(2,058,781)	126,701
314,029	1,201,492	198,873	2,517,929	386,050	3,345,236	(18,039,558)	9,774,784
-	-	-	-	-	-	-	8,941
4,345	44,531	-	15,193	88	25,994	-	169,279
1,103,880	5,545,512	891,956	5,596,940	1,217,853	11,156,713	(18,039,558)	30,291,004
57,689	129,272	1,458	437,467	1,839	429,049	-	13,028,428
-	-	2,239	52,140	28,981	23,710	-	903,071
21,860	-	-	-	-	-	-	943,538
79,549	129,272	3,697	489,607	30,820	452,759	-	14,875,037
111,035	230,973	139,626	1,041,208	192,256	1,842,241	(471)	3,954,190
6,441	-	2,345	37,108	-	-	-	312,343
480,973	2,941,859	370,545	2,362,311	456,943	4,993,658	(13,263,637)	-
-	-	-	-	-	-	(4,775,450)	-
598,449	3,172,832	512,516	3,440,627	649,199	6,835,899	(18,039,558)	4,266,533
-	-	-	-	130	-	-	130
677,998	3,302,104	516,213	3,930,234	680,149	7,288,658	(18,039,558)	19,141,700
425,882	2,243,408	375,743	1,666,706	537,704	3,868,055	-	11,149,304
303,463	3,624,129	1,363,109	3,250,981	943,512	4,993,432	-	18,664,777
729,345	5,867,537	1,738,852	4,917,687	1,481,216	8,861,487	-	29,814,081
-	-	-	-	-	-	-	-
729,345	5,867,537	1,738,852	4,917,687	1,481,216	8,861,487	-	29,814,081

Amounts reported for governmental activities 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.

	72,138
Change in net position of governmental activities	<u>\$29,886,219</u>

Mental Health Disability Services
of the East Central Region

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Mental Health Disability Services of the East Central Region (MHDS-ECR) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. MHDS-ECR includes the following member counties: Benton, Bremer, Buchanan, Delaware, Dubuque, Iowa, Johnson, Jones and Linn. 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.

MHDS-ECR's 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 two individuals who utilize mental health and disability services or are actively involved relative of such an individual who serve in a nonvoting ex officio capacity.

MHDS-ECR designated Jones 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, MHDS-ECR's 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 MHDS-ECR are intended to present the financial position and the changes in financial position of MHDS-ECR, which includes funds held by MHDS-ECR'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, MHDS-ECR has included all funds, organizations, agencies, commissions and authorities. MHDS-ECR 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 MHDS-ECR are such that exclusion would cause MHDS-ECR's 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 MHDS-ECR 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 MHDS-ECR. MHDS-ECR 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 MHDS-ECR.

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. 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.

MHDS-ECR reports the following major governmental funds:

Special Revenue:

The Mental Health Fund (Fiscal Agent) is used to account for the activity of MHDS-ECR not expended directly from the Mental Health Funds of the other member counties.

The 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, MHDS-ECR considers revenues to be available if they are collected by MHDS-ECR 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 MHDS-ECR 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, MHDS-ECR 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 MHDS-ECR'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, MHDS-ECR's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most MHDS-ECR funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or in a member county 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 deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2014.

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

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

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

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

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

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

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

(2) Cash and Investments

The MHDS-ECR's deposits in banks at June 30, 2015 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.

MHDS-ECR 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 MHDS-ECR; 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.

MHDS-ECR had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Special Item - Initial Contributions from Member Counties

MHDS-ECR began operations on July 1, 2014. The ending balances of the Special Revenue, Mental Health Funds of each member county as of June 30, 2014 are reported as initial contributions from member counties in the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities.

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

In accordance with statements of understanding between MHDS-ECR'S Regional Governance Board and each individual member county Board of Supervisors, MHDS-ECR's Chief Executive Officer, the Coordinators of Disability Services and all support staff of MHDS-ECR 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 MHDS-ECR.

The individual member county employees also accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Also, the individual member county employees are 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. MHDS-ECR's governmental activities financial statements do not report these amounts.

(5) Risk Management

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

Supplementary Information

**Mental Health Disability Services
of the East Central Region**

Mental Health Disability Services
of the East Central Region

Schedule of Expenditures of Federal Awards

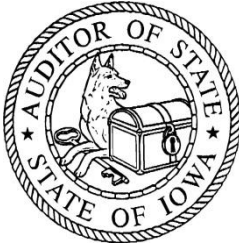
Year ended June 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Social Services Block Grant	93.667	<u>\$ 2,669,011</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of MHDS-ECR and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor’s report.

**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**



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Regional Governance Board of
Mental Health Disability Services of the East Central Region:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mental Health Disability Services of the East Central Region (MHDS-ECR) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated June 28, 2016. 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 Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Johnson County and Linn County as described in our report on MHDS-ECR's 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 MHDS-ECR's 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 MHDS-ECR's internal control. Accordingly, we do not express an opinion on the effectiveness of MHDS-ECR'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 MHDS-ECR's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-15, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MHDS-ECR'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 MHDS-ECR's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of MHDS-ECR. 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.


MHDS-ECR's Response to the Finding


MHDS-ECR's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. MHDS-ECR'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

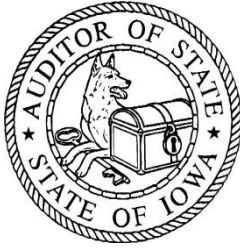
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of MHDS-ECR's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MHDS-ECR'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 MHDS-ECR during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 28, 2016



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Regional Governance Board of
Mental Health Disability Services of the East Central Region:

Report on Compliance for Each Major Federal Program

We have audited MHDS-ECR's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. MHDS-ECR's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for MHDS-ECR's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MHDS-ECR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of MHDS-ECR's compliance.

Opinion on the Major Federal Program

In our opinion, MHDS-ECR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance


The management of MHDS-ECR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MHDS-ECR's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MHDS-ECR's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 28, 2016

Mental Health Disability Services
of the East Central Region

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund. An adverse opinion was issued on the Statement of Net Position and the Statement of Activities of the governmental activities.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) No audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) were noted.
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MHDS-ECR did not qualify as a low-risk auditee.

Mental Health Disability Services
of the East Central Region

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-15 Mental Health Financial Reporting – Elimination entries are necessary to reduce revenues and expenditures in MHDS-ECR’s annual report for financial activity occurring between the fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides the coding necessary for identifying the elimination activity. During the audit, we identified transactions between the fiscal agent and member counties which were not properly coded. Adjustments were subsequently made by MHDS-ECR to properly report and eliminate these transactions in the financial statements.

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

Response – MHDS-ECR’s CEO will meet with each County Auditor of the region to address the coding issues noted above.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Region Minutes – No transactions were found that we believe should have been approved in the MHDS-ECR minutes but were not.

IV-B-15 Travel Expense – No disbursements of MHDS-ECR money for travel expenses of spouses of MHDS-ECR officials or employees were noted.

IV-C-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and MHDS-ECR’s investment policy were noted.

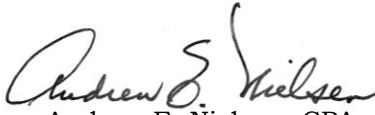
IV-D-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Mental Health Disability Services
of the East Central Region

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Stephen J. Hoffman, Senior Auditor
Sarah J. Swisher, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State