

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

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NEWS RELEASE

FOR RELEASE

September 1, 2016

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Auditor of State Mary Mosiman today released an audit report on Northwest Iowa Care Connections for the year ended June 30, 2015.

Northwest Iowa Care Connections' revenues totaled \$6,466,895 for the year ended June 30, 2015, including \$1,826,411 from property and other county tax, \$84,696 from state tax credits, \$29,088 from charges for service, \$1,610,890 from operating grants, contributions and restricted interest, \$2,542 from unrestricted investment earnings and \$2,913,268 of initial contributions from member counties.

Expenditures for the year ended June 30, 2015 totaled \$2,651,644, and included \$2,179,159 for direct services to consumers and \$472,485 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/1514-2364-B00F>.

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NORTHWEST IOWA CARE CONNECTIONS

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

JUNE 30, 2015

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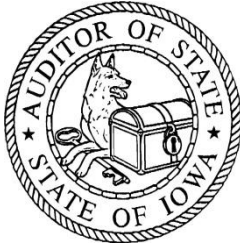
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Northwest Iowa Care Connections

Regional Governance Board

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|-----------------|------------------------------------|---------------------|
| Bill Leupold | Board Chair | Dickinson County |
| Tom Farnsworth | Vice Chair | O'Brien County |
| Linda Swanson | Secretary | Clay County |
| Mark Behrens | Board Member | Lyon County |
| Phil Bootsma | Board Member | Osceola County |
| Ron Graettinger | Board Member | Palo Alto County |
| Barry Whitsell | Non-Voting Ex-Officio Board Member | |
| Scott Witte | Non-Voting Ex-Officio Board Member | |
| Nancy Ketcham | Non-Voting Ex-Officio Board Member | |
| Kim Wilson | Chief Executive Officer | |

Northwest Iowa Care Connections



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Independent Auditor's Report

To the Regional Governance Board of
Northwest Iowa Care Connections:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Northwest Iowa Care Connections, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise Northwest Iowa Care Connections' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Special Revenue, Mental Health Funds of Clay County, Lyon County and Osceola County, which represent the following:

| <u>Member County</u> | <u>Share of Assets</u> | <u>Share of Fund Balance</u> | <u>Share of Revenues</u> |
|----------------------|------------------------|------------------------------|--------------------------|
| Clay | 6.73% | .78% | 13.56% |
| Lyon | 12.59% | 13.65% | 8.73% |
| Osceola | 4.19% | 1.86% | 9.99% |

Those Special Revenue, Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Clay County, Lyon County and Osceola County, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Northwest Iowa Care Connections' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Iowa Care Connection's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Northwest Iowa Care Connections and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 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 Northwest Iowa Care Connections' annual OPEB costs based on the annual required contribution of Northwest Iowa Care Connections, 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 Northwest Iowa Care Connections 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 Northwest Iowa Care Connections 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2016 on our consideration of Northwest Iowa Care Connections' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Northwest Iowa Care Connections' internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

August 23, 2016

Northwest Iowa Care Connections

Basic Financial Statements

Exhibit A

Northwest Iowa Care Connections

Statement of Net Position

June 30, 2015

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 3,837,877 |
| Receivables: | |
| Property tax: | |
| Delinquent | 1,208 |
| Succeeding year | 2,094,764 |
| Accounts | 8,549 |
| Accrued interest | 212 |
| Due from other governments | 105,610 |
| Inventories | 49 |
| Prepaid expenses | 125 |
| Total assets | <u>6,048,394</u> |
| Liabilities | |
| Accounts payable | 130,815 |
| Salaries and benefits payable | 4,431 |
| Due to other governments | 3,133 |
| Total liabilities | <u>138,379</u> |
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | <u>2,094,764</u> |
| Net Position | |
| Restricted for mental health purposes | <u>\$ 3,815,251</u> |

See notes to financial statements.

Northwest Iowa Care Connections

Statement of Activities

Year ended June 30, 2015

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--------------|---------------------------|--|--|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | |
| Governmental activities: | | | | |
| Mental health | \$ 2,651,644 | 29,088 | 1,610,890 | (1,011,666) |
| General Revenues and Special Item: | | | | |
| Property and other county tax levied for mental health purposes | | | | 1,826,411 |
| State tax credits | | | | 84,696 |
| Unrestricted investment earnings | | | | 2,542 |
| Special item - initial contributions from member counties | | | | 2,913,268 |
| Total general revenues and special item | | | | 4,826,917 |
| Change in net position | | | | 3,815,251 |
| Net position beginning of year | | | | - |
| Net position end of year | | | | \$ 3,815,251 |

See notes to financial statements.

Northwest Iowa Care Connections

Balance Sheet

June 30, 2015

| | Fiscal Agent | Clay County | Dickinson County | Lyon County |
|---|---------------------|----------------|---------------------|----------------|
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 1,627,999 | 29,829 | 649,087 | 520,483 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 248 | 75 | 25 |
| Succeeding year | - | 370,000 | 401,000 | 233,596 |
| Accounts | 1,713 | 6,836 | - | - |
| Accrued interest | 212 | - | - | - |
| Due from other governments | 112,446 | - | 29,416 | 7,267 |
| Inventories | - | - | - | 49 |
| Prepaid expenditures | - | - | - | 125 |
| Total assets | \$ 1,742,370 | 406,913 | 1,079,578 | 761,545 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 130,685 | 6,844 | - | 34 |
| Salaries and benefits payable | - | - | 4,431 | - |
| Due to other governments | 3,133 | - | 29,416 | 7,267 |
| Total liabilities | 133,818 | 6,844 | 33,847 | 7,301 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | - | 370,000 | 401,000 | 233,596 |
| Other | 289 | 245 | 75 | 2 |
| Total deferred inflows of resources | 289 | 370,245 | 401,075 | 233,598 |
| Fund balances: | | | | |
| Nonspendable for prepaid expenditures/inventories | - | - | - | 174 |
| Restricted for mental health purposes | 1,608,263 | 29,824 | 644,656 | 520,472 |
| Total fund balances | 1,608,263 | 29,824 | 644,656 | 520,646 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,742,370 | 406,913 | 1,079,578 | 761,545 |

See notes to financial statements.

| Special Revenue, Mental Health Funds | | | | |
|--------------------------------------|-------------------|---------------------|------------------------|------------------|
| O'Brien County | Osceola County | Palo Alto County | Elimination Entries | Total |
| 460,900 | 71,015 | 478,564 | - | 3,837,877 |
| 307 | 173 | 380 | - | 1,208 |
| 531,000 | 182,168 | 377,000 | - | 2,094,764 |
| - | - | - | - | 8,549 |
| - | - | - | - | 212 |
| 43,582 | - | 15,998 | (103,099) | 105,610 |
| - | - | - | - | 49 |
| - | - | - | - | 125 |
| <u>1,035,789</u> | <u>253,356</u> | <u>871,942</u> | <u>(103,099)</u> | <u>6,048,394</u> |
| 88 | - | - | (6,836) | 130,815 |
| - | - | - | - | 4,431 |
| 43,582 | - | 15,998 | (96,263) | 3,133 |
| <u>43,670</u> | <u>-</u> | <u>15,998</u> | <u>(103,099)</u> | <u>138,379</u> |
| 531,000 | 182,168 | 377,000 | - | 2,094,764 |
| 307 | 173 | 380 | - | 1,471 |
| <u>531,307</u> | <u>182,341</u> | <u>377,380</u> | <u>-</u> | <u>2,096,235</u> |
| - | - | - | - | 174 |
| 460,812 | 71,015 | 478,564 | - | 3,813,606 |
| <u>460,812</u> | <u>71,015</u> | <u>478,564</u> | <u>-</u> | <u>3,813,780</u> |
| <u>1,035,789</u> | <u>253,356</u> | <u>871,942</u> | <u>(103,099)</u> | |

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

| | |
|---|-----------------|
| | <u>1,471</u> |
| Net position of governmental activities | <u>\$ 1,645</u> |

Northwest Iowa Care Connections

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2015

| | Fiscal Agent | Clay County | Dickinson County | Lyon County |
|---|---------------------|------------------|---------------------|----------------|
| Revenues: | | | | |
| Property and other county tax | \$ - | 379,066 | 404,409 | 237,458 |
| Intergovernmental revenues | | | | |
| State tax credits | - | - | 13,389 | 12,777 |
| Payments from member counties | 2,927,535 | - | - | - |
| Payments from MHDS fiscal agent to MHDS regional members | - | - | 28,451 | 2,121 |
| Mental health and disability services equalization | 1,106,383 | - | - | - |
| Social services block grant | - | - | 123,367 | 30,478 |
| State payment program | 16,577 | - | - | - |
| Other intergovernmental revenues | - | 102,668 | 849 | 23,659 |
| Total intergovernmental revenues | 4,050,495 | 102,668 | 166,056 | 69,035 |
| Charges for service | 25,342 | - | - | 1,606 |
| Use of money and property | 2,542 | - | - | - |
| Miscellaneous | - | - | - | 1,985 |
| Total revenues | 4,078,379 | 481,734 | 570,465 | 310,084 |
| Expenditures: | | | | |
| Services to persons with: | | | | |
| Mental illness | 1,350,888 | - | 1,928 | 318 |
| Intellectual disability | 803,975 | - | - | - |
| Other developmental disabilities | 20,687 | - | - | - |
| Total direct services to consumers | 2,175,550 | - | 1,928 | 318 |
| General administration: | | | | |
| Direct administration | 8,407 | 95,733 | 143,743 | 76,755 |
| Purchased administration | 12,014 | - | - | 6,155 |
| Distribution to MHDS regional fiscal agent | - | 923,575 | 424,024 | 206,653 |
| Fiscal agent reimbursement to member counties | 274,145 | - | - | - |
| Total general administration | 294,566 | 1,019,308 | 567,767 | 289,563 |
| Total mental health, intellectual disabilities and developmental disabilities expenditures | 2,470,116 | 1,019,308 | 569,695 | 289,881 |
| Excess (deficiency) of revenues over (under) expenditures | 1,608,263 | (537,574) | 770 | 20,203 |
| Special item - initial contributions from member counties | - | 567,398 | 643,886 | 500,443 |
| Net change in fund balances | 1,608,263 | 29,824 | 644,656 | 520,646 |
| Fund balances beginning of year | - | - | - | - |
| Fund balances end of year | \$ 1,608,263 | 29,824 | 644,656 | 520,646 |

See notes to financial statement.

| Special Revenue, Mental Health Funds | | | | |
|--------------------------------------|-------------------|---------------------|---|-----------|
| O'Brien County | Osceola County | Palo Alto County | Reclassification/ Elimination Entries | Total |
| 531,810 | 183,073 | 89,124 | - | 1,824,940 |
| 40,670 | 11,895 | 5,965 | - | 84,696 |
| - | - | - | (2,927,535) | - |
| 6,364 | 157,886 | - | (194,822) | - |
| - | - | - | - | 1,106,383 |
| 182,781 | - | 67,099 | 23,345 | 427,070 |
| - | - | - | - | 16,577 |
| 34,200 | 2,104 | 48 | (102,668) | 60,860 |
| 264,015 | 171,885 | 73,112 | (3,201,680) | 1,695,586 |
| - | - | - | - | 26,948 |
| - | - | - | - | 2,542 |
| 155 | - | - | - | 2,140 |
| 795,980 | 354,958 | 162,236 | (3,201,680) | 3,552,156 |
| - | 253 | 1,110 | - | 1,354,497 |
| - | - | - | - | 803,975 |
| - | - | - | - | 20,687 |
| - | 253 | 1,110 | - | 2,179,159 |
| 54,709 | 2,725 | 49,014 | - | 431,086 |
| - | 23,230 | - | - | 41,399 |
| 733,595 | 171,071 | 468,617 | (2,927,535) | - |
| - | - | - | (274,145) | - |
| 788,304 | 197,026 | 517,631 | (3,201,680) | 472,485 |
| 788,304 | 197,279 | 518,741 | (3,201,680) | 2,651,644 |
| 7,676 | 157,679 | (356,505) | - | 900,512 |
| 453,136 | (86,664) | 835,069 | - | 2,913,268 |
| 460,812 | 71,015 | 478,564 | - | 3,813,780 |
| - | - | - | - | - |
| 460,812 | 71,015 | 478,564 | - | 3,813,780 |

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.

| | |
|---|---------------------|
| | 1,471 |
| Change in net position of governmental activities | <u>\$ 3,815,251</u> |

Northwest Iowa Care Connections

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Northwest Iowa Care Connections is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Northwest Iowa Care Connections includes the following member counties: Clay, Dickinson, Lyon, O'Brien, Osceola and Palo Alto. The member counties entered into this 28E agreement on April 25, 2014 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

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

Northwest Iowa Care Connections designated O'Brien County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, Northwest Iowa Care Connections' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Northwest Iowa Care Connections are intended to present the financial position and the changes in financial position of Northwest Iowa Care Connections, which includes funds held by Northwest Iowa Care Connections' fiscal agent and funds held by the individual member counties in their respective Special Revenue, Mental Health Funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Care Connections has included all funds, organizations, agencies, commissions and authorities. Northwest Iowa Care Connections has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Northwest Iowa Care Connections are such that exclusion would cause Northwest Iowa Care Connections' financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Northwest Iowa Care Connections to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Northwest Iowa Care Connections. Northwest Iowa Care Connections has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of Northwest Iowa Care Connections.

The Statement of Net Position presents the assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Northwest Iowa Care Connections reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of Northwest Iowa Care Connections not expended directly from the 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, Northwest Iowa Care Connections considers revenues to be available if they are collected by Northwest Iowa Care Connections or a member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by Northwest Iowa Care Connections or a member county.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, Northwest Iowa Care Connections funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is Northwest Iowa Care Connections' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, Northwest Iowa Care Connections' policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most Northwest Iowa Care Connections funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or 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 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 sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables 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

Northwest Iowa Care Connections' 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.

Northwest Iowa Care Connections is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Northwest Iowa Care Connections, prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Northwest Iowa Care Connections had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Special Item - Initial Contributions from Member Counties

Northwest Iowa Care Connections 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 Northwest Iowa Care Connections' Regional Governance Board and each individual member county Board of Supervisors, Northwest Iowa Care Connections' Chief Executive Officer, the Coordinators of Disability Services and all support staff of Northwest Iowa Care Connections remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county by Northwest Iowa Care Connections.

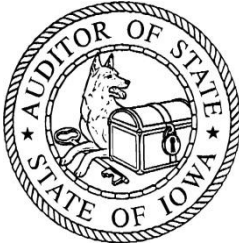
The individual member county employees also accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Also, the individual member county employees are provided other postemployment and pension benefits. U.S. 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. Northwest Iowa Care Connections' governmental activities financial statements do not report these amounts.

(5) Risk Management

Northwest Iowa Care Connections 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. Northwest Iowa Care Connections 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.

**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**

Northwest Iowa Care Connections



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

To the Regional Governance Board of
Northwest Iowa Care Connections:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mental Health Disability Services of the Northwest Iowa Care Connections as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated August 23, 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 Clay County, Lyon County and Osceola County as described in our report on Northwest Iowa Care Connections' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Iowa Care Connections' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Iowa Care Connections' internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Iowa Care Connections' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Northwest Iowa Care Connections' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Care Connections' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Northwest Iowa Care Connections' Responses to the Findings

Northwest Iowa Care Connections' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Northwest Iowa Care Connections' responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of Northwest Iowa Care Connections' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwest Iowa Care Connections' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Northwest Iowa Care Connections during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

August 23, 2016

Northwest Iowa Care Connections

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over the following areas for which no compensating controls exist:

- (1) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (2) Bank reconciliations – Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed and approved by a person who is not responsible for receipts and disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. The Regional Governance Board should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Region Governance Board Members. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – Our office will try to comply with the findings of the Auditor of State and work on solutions to comply.

Conclusion – Response accepted.

- (B) Mental Health Financial Reporting – Elimination entries are necessary to reduce revenues and expenditures in Northwest Iowa Care Connections' 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 Northwest Iowa Care Connections to properly report and eliminate these transactions in the financial statements.

Recommendation – Northwest Iowa Care Connections 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 – Northwest Iowa Care Connections' CEO will work 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.

Northwest Iowa Care Connections

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:


- (1) Region Minutes – No transactions were found that we believe should have been approved in the Northwest Iowa Care Connections’ minutes but were not.
- (2) Travel Expense – No disbursements of Northwest Iowa Care Connections money for travel expenses of spouses of Northwest Iowa Care Connections officials or employees were noted.
- (3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and Northwest Iowa Care Connections’ investment policy were noted.
- (4) Questionable 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.

Northwest Iowa Care Connections

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Jesse J. Probasco, CPA, Staff Auditor
Anthony J. Mallie, CPA, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State