

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 30, 2017

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Auditor of State Mary Mosiman today released an audit report on the County Rural Offices of Social Services Mental Health Region (CROSS) for the year ended June 30, 2016.

CROSS' revenues totaled \$4,573,621 for the year ended June 30, 2016, including \$2,229,263 from property and other county tax, \$241,659 from state tax credits, \$12,454 from charges for service, \$21,481 from operating grants, contributions and restricted interest, \$5,577 from rent, \$3,755 in miscellaneous revenues and an allocation of \$2,059,432 from the Mid-Iowa Behavioral Health Region to transition Marion County to the County Rural Offices of Social Services Mental Health Region.

Expenditures for the year ended June 30, 2016 totaled \$1,982,469 and included \$1,578,780 for direct services to consumers and \$403,689 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/1614-2358-B00F>.

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**COUNTY RURAL OFFICES OF SOCIAL SERVICES
MENTAL HEALTH REGION**

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

JUNE 30, 2016

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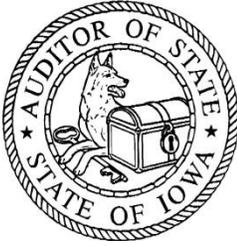
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**County Rural Offices of Social Services
Mental Health Region**

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Duffy Kester	Board Chair	Wayne County Board of Supervisors
Dennis Smith	Vice Chair	Lucas County Board of Supervisors
Paul Dykstra	Board Member	Ringgold County Board of Supervisors
Marvin McCann	Board Member	Clarke County Board of Supervisors
Jim Fulton	Board Member	Decatur County Board of Supervisors
Denny Amoss	Board Member	Monroe County Board of Supervisors
Mark Raymie	Board Member	Marion County Board of Supervisors
Pete Brantner	Non-Voting Ex-Officio Board Member	
Anetta Kline	Non-Voting Ex-Officio Board Member	
Kathy Lerma	Chief Executive Officer	

**County Rural Offices of Social Services
Mental Health Region**



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Independent Auditor's Report

To the Regional Governance Board of
County Rural Offices of Social Services Mental Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of County Rural Offices of Social Services Mental Health Region (CROSS), as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise CROSS' 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 Clarke County, Lucas County, Marion County and Monroe County, which represent 14.0%, 5.3%, 38.8% and 12.2%, respectively, of the assets, included in the Balance Sheet, 14.7%, 0.2%, 41.3% and 13.2%, respectively, of the fund balances included in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances and 16.2%, 21.3%, 23.1% and 14.2%, respectively, of the revenues included in the Statement of Revenues, Expenditures and Changes in Fund Balances. Those 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 Clarke County, Lucas County, Marion County and Monroe 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 CROSS' 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 CROSS' 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 3, 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 CROSS and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3, 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 CROSS' annual OPEB costs based on the annual required contribution of CROSS, 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 3, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on the Governmental Activities" paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of CROSS as of June 30, 2016, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of CROSS as of June 30, 2016, 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 June 20, 2017 on our consideration of CROSS' 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 CROSS' internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 20, 2017

**County Rural Offices of Social Services
Mental Health Region**

Basic Financial Statements

Exhibit A

County Rural Offices of Social Services
Mental Health Region

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 5,048,576
Receivables:	
Property tax:	
Delinquent	16,724
Succeeding year	2,873,000
Accounts	309
Due from other governments	<u>34,928</u>
Total assets	<u>7,973,537</u>
Liabilities	
Accounts payable	159,206
Salaries and benefits payable	12,640
Due to other governments	<u>44,652</u>
Total liabilities	<u>216,498</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>2,873,000</u>
Net Position	
Restricted for mental health purposes	<u>\$ 4,884,039</u>

See notes to financial statements.

County Rural Offices of Social Services
Mental Health Region

Statement of Activities

Year ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Mental health	\$ 1,982,469	12,454	21,481	(1,948,534)
General Revenues and Special Item:				
Property and other county tax levied for mental health purposes				2,229,263
State tax credits				241,659
Rent				5,577
Miscellaneous				3,755
Special item - Marion County allocation from Mid-Iowa Behavioral Health Region				2,059,432
Total general revenues and special item				4,539,686
Change in net position				2,591,152
Net position beginning of year				2,292,887
Net position end of year				\$ 4,884,039

See notes to financial statements.

County Rural Offices of Social Services
Mental Health Region

Balance Sheet

June 30, 2016

	Fiscal Agent	Special Revenue,	
		Clarke County	Decatur County
Assets			
Cash, cash equivalents and pooled investments	\$ 201,518	718,621	794,077
Receivables:			
Property tax:			
Delinquent	-	748	7,790
Succeeding year	-	400,000	298,000
Accounts	-	-	-
Due from other governments	-	-	953
Total assets	\$ 201,518	1,119,369	1,100,820
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 31,232	1,403	10,626
Salaries and benefits payable	-	2,592	3,948
Due to other governments	37,855	-	163
Total liabilities	69,087	3,995	14,737
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	400,000	298,000
Other	-	748	7,772
Total deferred inflows of resources	-	400,748	305,772
Fund balances:			
Restricted for mental health purposes	132,431	714,626	780,311
Total liabilities, deferred inflows of resources and fund balances	\$ 201,518	1,119,369	1,100,820

See notes to financial statements.

Mental Health Funds					
Lucas County	Marion County	Monroe County	Ringgold County	Wayne County	Total
8,103	2,073,968	654,497	322,879	274,913	5,048,576
2,284	2,228	2,572	125	977	16,724
382,000	1,015,000	319,000	222,000	237,000	2,873,000
-	309	-	-	-	309
32,000	1,800	175	-	-	34,928
424,387	3,093,305	976,244	545,004	512,890	7,973,537
29,423	62,098	13,144	7,214	4,066	159,206
47	4,551	844	211	447	12,640
-	-	-	6,617	17	44,652
29,470	66,649	13,988	14,042	4,530	216,498
382,000	1,015,000	319,000	222,000	237,000	2,873,000
2,284	2,193	2,510	125	977	16,609
384,284	1,017,193	321,510	222,125	237,977	2,889,609
10,633	2,009,463	640,746	308,837	270,383	4,867,430
424,387	3,093,305	976,244	545,004	512,890	

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

	16,609
Net position of governmental activities	<u>\$ 4,884,039</u>

County Rural Offices of Social Services
Mental Health Region

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2016

	Fiscal Agent	Special Revenue,	
		Clarke County	Decatur County
Revenues:			
Property and other county tax	\$ -	366,832	296,821
Intergovernmental revenues:			
State tax credits	-	40,167	27,753
MH-DD reimbursement from other governments	-	-	1,548
Payments from member counties	255,097	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	-	-
Other	-	-	361
Total intergovernmental revenues	255,097	40,167	29,662
Use of money and property	-	-	5,577
Miscellaneous	-	155	11,253
Total revenues	255,097	407,154	343,313
Expenditures:			
Services to persons with:			
Mental illness	18,962	52,462	135,699
Intellectual disabilities	-	21,649	11,529
Brain Injury	-	-	-
Other developmental disabilities	-	-	3,184
Total direct services	18,962	74,111	150,412
General administration:			
Direct administration	56,438	33,242	65,412
Distribution to MHDS regional fiscal agent	-	17,820	15,795
Fiscal agent reimbursement to member counties	212,485	-	-
Total general administration	268,923	51,062	81,207
Total expenditures	287,885	125,173	231,619
Excess (deficiency) of revenues over (under) expenditures	(32,788)	281,981	111,694
Special item - Marion County allocation from Mid-Iowa Behavioral Health Region	-	-	-
Net change in fund balances	(32,788)	281,981	111,694
Fund balances beginning of year	165,219	432,645	668,617
Fund balances end of year	\$ 132,431	714,626	780,311

See notes to financial statements.

Mental Health Funds						
Lucas County	Marion County	Monroe County	Ringgold County	Wayne County	Elimination Entries	Total
291,565	487,475	320,802	225,409	237,465	-	2,226,369
30,388	75,144	34,723	14,502	18,982	-	241,659
-	-	-	-	-	-	1,548
-	-	-	-	-	(255,097)	-
212,485	-	-	-	-	(212,485)	-
-	15,868	765	1,931	1,008	-	19,933
242,873	91,012	35,488	16,433	19,990	(467,582)	263,140
-	-	-	-	-	-	5,577
-	2,189	50	975	1,587	-	16,209
534,438	580,676	356,340	242,817	259,042	(467,582)	2,511,295
119,052	298,214	130,311	144,640	76,450	-	975,790
399,218	46,238	48,295	13,748	21,298	-	561,975
-	4,845	-	-	-	-	4,845
168	32,818	-	-	-	-	36,170
518,438	382,115	178,606	158,388	97,748	-	1,578,780
83,891	64,926	68,244	9,703	21,833	-	403,689
-	183,604	15,451	10,074	12,353	(255,097)	-
-	-	-	-	-	(212,485)	-
83,891	248,530	83,695	19,777	34,186	(467,582)	403,689
602,329	630,645	262,301	178,165	131,934	(467,582)	1,982,469
(67,891)	(49,969)	94,039	64,652	127,108	-	528,826
-	2,059,432	-	-	-	-	2,059,432
(67,891)	2,009,463	94,039	64,652	127,108	-	2,588,258
78,524	-	546,707	244,185	143,275	-	2,279,172
10,633	2,009,463	640,746	308,837	270,383	-	4,867,430

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

Change in fund balances 2,588,258

Amounts reported in the Statement of Activities are different because some revenues will not be collected for several months after year end and, therefore, are not considered available in the governmental funds.

2,894

Change in net position of governmental activities \$ 2,591,152

**County Rural Offices of Social Services
Mental Health Region**

County Rural Offices of Social Services
Mental Health Region

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

County Rural Offices of Social Services Mental Health Region (CROSS) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. CROSS includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The member counties entered into this 28E agreement on September 18, 2013 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.

The Regional Governance Board of the Mid-Iowa Behavioral Health Region, consisting of Mahaska and Marion Counties, rescinded the Region's 28E agreement and the Region dissolved effective November 1, 2015. Marion County then became a member county of CROSS. To complete the transition an allocation of \$2,059,432 was paid to CROSS by the Mid-Iowa Behavioral Health Region.

CROSS' Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance Board also includes two individuals who utilize mental health and disability services or are actively involved relatives of such an individual, serving in a nonvoting, ex officio capacity.

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

Except as noted in the Independent Auditors Report, CROSS' 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 CROSS are intended to present the financial position and the changes in financial position of CROSS, which includes funds held by CROSS' 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, CROSS has included all funds, organizations, agencies, commissions and authorities. CROSS 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 CROSS are such that exclusion would cause CROSS' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of CROSS 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 CROSS. CROSS 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 CROSS.

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

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

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

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

CROSS reports the following major governmental funds:

Special Revenue:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, CROSS considers revenues to be available if they are collected by CROSS 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 CROSS 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, CROSS 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 CROSS' 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, the Region'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 CROSS funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2015.

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 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:

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

(2) Cash, Cash Equivalents and Pooled Investments

CROSS' deposits in banks at June 30, 2016 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.

CROSS 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 CROSS; 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.

CROSS had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

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

The individual member county employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The individual member county employees are also provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items in the governmental activities financial statements. CROSS' governmental activities financial statements do not report these amounts.

(4) Risk Management

CROSS 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. CROSS 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.

(5) New Accounting Pronouncement

CROSS adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**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

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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
County Rural Offices of Social Services Mental Health 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 County Rural Offices of Social Services Mental Health Region (CROSS) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise CROSS' basic financial statements, and have issued our report thereon dated June 20, 2017. 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 Clarke County, Lucas County, Marion County and Monroe County, as described in our report on CROSS' 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 CROSS' 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 CROSS' internal control. Accordingly, we do not express an opinion on the effectiveness of CROSS' 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 CROSS' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, we identified a deficiency in internal control, described as item (A) in the accompanying Schedule of Findings, we consider to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about CROSS' operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of CROSS. 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.

CROSS' Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of CROSS' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CROSS' 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 CROSS 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

June 20, 2017

County Rural Offices of Social Services
Mental Health Region

Schedule of Findings

Year ended June 30, 2016

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Member County Contributions

Criteria – The Regional Governance Board approved a contribution rate of 15% of the maximum property tax levy of \$47.28 per capita. This contribution rate is based on each member county's 2012 population and is remitted to CROSS on a quarterly basis.

Condition – During fiscal year 2016, the calculation made for the 1st and 2nd quarters used an incorrect contribution rate of 15.33%.

Cause – Region policies do not require and procedures have not been established to require independent review of the contribution rate calculation to ensure the member counties contribution rate is properly calculated.

Effect – Member counties were billed and overpaid a total of \$7,191.

Recommendation – CROSS should establish procedures to ensure the member county contributions are calculated and billed correctly based on the contribution rate approved by the Regional Governance Board.

Response – CROSS will ensure the calculation for the member county contribution to the CROSS Region risk pool will be based on the risk pool budget and calculated out to the fourth decimal point, approved by the Board and reflected in the minutes. No rounding will be used.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

County Rural Offices of Social Services
Mental Health Region

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.

Minutes of Regional Governance Board meetings were not published as required by Chapter 28E.6(3)(a) of the Code of Iowa.

The Regional Governance Board went into closed session on July 29, 2015. The minutes record did not document whether the session was closed by affirmative roll call vote of at least two-thirds of the members and the reason for the closed session by reference to a specific Code of Iowa exemption as required by Chapter 21.5 of the Code of Iowa.

Recommendation – CROSS should comply with Chapter 21 of the Code of Iowa and ensure the minutes are published as required.

Response – CROSS will ensure the Regional Governance Board meeting minutes are submitted to the Leon Journal within 5 days of the Board meeting. In the future, the Board will comply with Chapter 21.5 of the Code of Iowa when entering into closed session.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of CROSS money for travel expenses of spouses of 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 CROSS' 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.

County Rural Offices of Social Services
Mental Health Region

Staff

This audit was performed by:

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Andrew E. Nielsen, CPA
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