



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

FOR RELEASE

June 30, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the Southwest Iowa MHDS Region for the year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS:**

The Region's revenues totaled \$4,265,995 for the year ended June 30, 2019, a 10.3% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$6,649,991, a 9.3% increase over the prior year.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and disbursement of taxpayer funds. They are found on pages 24 through 25 of this report. The findings address noncompliance with the publication requirements of Chapter 28E.6(3)(a) of the Code of Iowa and questionable disbursements. Sand provided the Region with recommendations to address each of the findings.

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

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

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**SOUTHWEST IOWA MHDS REGION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2019**

**Southwest Iowa MHDS Region**



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June 25, 2020

Officials of the Southwest Iowa MHDS Region  
Pottawattamie County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Southwest Iowa MHDS Region for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Southwest Iowa MHDS Region throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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**Southwest Iowa MHDS Region**

**Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Richard Crouch	Board Chair	Mills County Board of Supervisors
Marilyn Jo Drake	Vice Chair	Pottawattamie County Board of Supervisors
Frank Waters	Board Member	Cass County Board of Supervisors
Randy Hickey	Board Member	Fremont County Board of Supervisors
Tony Smith	Board Member	Harrison County Board of Supervisors
Tom Brouillette	Board Member	Monona County Board of Supervisors
Mark Peterson	Board Member	Montgomery County Board of Supervisors
Chuck Morris	Board Member	Page County Board of Supervisors
Steve Kenkel	Board Member	Shelby County Board of Supervisors
Jamie Gross	Non-Voting Ex-Officio Board Member	
Nicole Rocha	Non-Voting Ex-Officio Board Member	
Suzanne Watson	Chief Executive Officer	

**Southwest Iowa MHDS Region**



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Independent Auditor's Report

To the Regional Governance Board of Southwest Iowa MHDS Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwest Iowa MHDS Region, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise Southwest Iowa MHDS Region'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 audits. We did not audit the Special Revenue, Mental Health Funds of Cass and Shelby Counties, which represent 3.23% and 2.76%, respectively of the assets and 1.98% and 1.39% respectively, of the fund balance included in the Balance Sheet and 6.64% and 5.87%, respectively, of the revenues included in the Statement of Revenues, Expenditures and Changes in Fund Balances. 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 Cass and Shelby Counties, 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 Southwest Iowa MHDS Region'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 Region's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

## Opinions

### *Basis for Adverse Opinion on the Governmental Activities*

As discussed in Note 3, 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 Southwest Iowa MHDS Region and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require OPEB costs attributable to employee service already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows 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.

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 Southwest Iowa MHDS Region as of June 30, 2019, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinions*

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

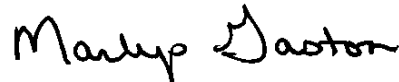
Other Matters

*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2020 on our consideration of Southwest Iowa MHDS Region'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Southwest Iowa MHDS Region's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southwest Iowa MHDS Region's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

June 25, 2020

**Southwest Iowa MHDS Region**

## **Basic Financial Statements**

**Exhibit A**

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## Southwest Iowa MHDS Region

## Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 13,054,503
Receivables:	
Property tax:	
Delinquent	12,482
Succeeding year	4,395,000
Accounts	15,473
Due from other governments	<u>27,150</u>
<b>Total assets</b>	<u>17,504,608</u>
<b>Liabilities</b>	
Accounts payable	623,993
Salaries and benefits payable	50,092
Due to other governments	<u>29,708</u>
<b>Total liabilities</b>	<u>703,793</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	<u>4,395,000</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 12,405,815</u>
See notes to financial statements.	

Southwest Iowa MHDS Region

Statement of Activities

Year ended June 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	
<b>Governmental activities:</b>			
Mental health	\$ 6,649,991	13	163,309
			(6,486,669)
<b>General Revenues:</b>			
Property and other county tax levied for mental health purposes			3,736,437
State tax credits			294,682
Miscellaneous			71,554
Total general revenues			4,102,673
Change in net position			(2,383,996)
Net position beginning of year			14,789,811
Net position end of year			\$ 12,405,815

See notes to financial statements.

Southwest Iowa MHDS Region

Balance Sheet

June 30, 2019

	Fiscal Agent	Special Revenue,		
		Cass County	Fremont County	Harrison County
<b>Assets</b>				
Cash and pooled investments	\$ 11,725,009	246,498	36,411	2,648
Receivables:				
Property tax:				
Delinquent	-	277	562	723
Succeeding year	-	318,000	164,000	333,000
Accounts	15,473	-	-	-
Due from other governments	27,150	-	-	-
<b>Total assets</b>	<b>\$ 11,767,632</b>	<b>564,775</b>	<b>200,973</b>	<b>336,371</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 623,993	-	-	-
Salaries and benefits payable	-	1,675	-	-
Due to other governments	29,708	-	-	-
Total liabilities	653,701	1,675	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	318,000	164,000	333,000
Other	176	250	562	703
Total deferred inflows of resources	176	318,250	164,562	333,703
Fund balances:				
Restricted for mental health purposes	11,113,755	244,850	36,411	2,668
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,767,632</b>	<b>564,775</b>	<b>200,973</b>	<b>336,371</b>

See notes to financial statements.

<u>Mental Health Funds</u>						
Mills County	Monona County	Montgomery County	Page County	Pottawatamie County	Shelby County	Region Total
118,606	66,079	19,083	137,980	504,206	197,983	13,054,503
1,031	104	910	832	8,043	-	12,482
262,000	206,000	237,000	351,000	2,238,000	286,000	4,395,000
-	-	-	-	-	-	15,473
-	-	-	-	-	-	27,150
<u>381,637</u>	<u>272,183</u>	<u>256,993</u>	<u>489,812</u>	<u>2,750,249</u>	<u>483,983</u>	<u>17,504,608</u>

-	-	-	-	-	-	623,993
1,793	-	-	2,211	18,646	25,767	50,092
-	-	-	-	-	-	29,708
<u>1,793</u>	<u>-</u>	<u>-</u>	<u>2,211</u>	<u>18,646</u>	<u>25,767</u>	<u>703,793</u>

262,000	206,000	237,000	351,000	2,238,000	286,000	4,395,000
1,031	104	857	832	8,043	-	12,558
<u>263,031</u>	<u>206,104</u>	<u>237,857</u>	<u>351,832</u>	<u>2,246,043</u>	<u>286,000</u>	<u>4,407,558</u>
<u>116,813</u>	<u>66,079</u>	<u>19,136</u>	<u>135,769</u>	<u>485,560</u>	<u>172,216</u>	<u>12,393,257</u>
<u>381,637</u>	<u>272,183</u>	<u>256,993</u>	<u>489,812</u>	<u>2,750,249</u>	<u>483,983</u>	

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

Net position of governmental activities

12,558  
\$ 12,405,815



Southwest Iowa MHDS Region

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2019

	Special Revenue,			
	Fiscal Agent	Cass County	Fremont County	Harrison County
Revenues:				
Property and other county tax	\$ -	256,115	121,462	280,454
Intergovernmental revenues:				
State tax credits	-	27,225	9,318	19,531
Payments from member counties	2,561,573	-	-	-
Other	45,508	-	-	-
Total intergovernmental revenues	2,607,081	27,225	9,318	19,531
Charges for service	-	13	-	-
Use of money and property	122,078	-	-	-
Miscellaneous	71,554	-	-	-
Total revenues	2,800,713	283,353	130,780	299,985
Expenditures:				
Services to persons with:				
Mental illness	4,502,155	32,940	916	-
Intellectual disabilities	398,661	-	-	-
Other developmental disabilities	45,609	-	-	-
Total direct services	4,946,425	32,940	916	-
General administration:				
Direct administration	70,565	8,872	37	-
Purchased administration	141,957	-	-	-
Distribution to MHDS regional fiscal agent	-	213,000	143,023	322,129
Total general administration	212,522	221,872	143,060	322,129
Total mental health, intellectual disabilities and developmental disabilities expenditures	5,158,947	254,812	143,976	322,129
Net change in fund balances	(2,358,234)	28,541	(13,196)	(22,144)
Fund balances beginning of year	13,471,989	216,309	49,607	24,812
Fund balances end of year	\$ 11,113,755	244,850	36,411	2,668

See notes to financial statements.

Mental Health Funds							
Mills County	Monona County	Montgomery County	Page County	Pottawatamie County	Shelby County	Elimination Entries	Region Total
301,034	175,516	200,518	298,577	1,868,428	233,119	-	3,735,223
16,801	13,275	16,628	29,350	145,232	17,322	-	294,682
-	-	-	-	-	-	(2,561,573)	-
-	-	-	-	785	-	-	46,293
16,801	13,275	16,628	29,350	146,017	17,322	(2,561,573)	340,975
-	-	-	-	-	-	-	13
-	-	-	-	-	-	-	122,078
-	-	-	-	-	-	-	71,554
317,835	188,791	217,146	327,927	2,014,445	250,441	(2,561,573)	4,269,843
-	-	-	-	702,632	-	-	5,238,643
-	-	-	-	-	-	-	398,661
-	-	-	-	-	-	-	45,609
-	-	-	-	702,632	-	-	5,682,913
105,147	-	-	39,737	373,738	227,025	-	825,121
-	-	-	-	-	-	-	141,957
208,748	186,858	214,725	283,090	950,000	40,000	(2,561,573)	-
313,895	186,858	214,725	322,827	1,323,738	267,025	(2,561,573)	967,078
313,895	186,858	214,725	322,827	2,026,370	267,025	(2,561,573)	6,649,991
3,940	1,933	2,421	5,100	(11,925)	(16,584)	-	(2,380,148)
112,873	64,146	16,715	130,669	497,485	188,800	-	14,773,405
116,813	66,079	19,136	135,769	485,560	172,216	-	12,393,257

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

**Change in fund balances** (2,380,148)

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

(3,848)

**Change in net position of governmental activities** \$ (2,383,996)

Southwest Iowa MHDS Region

Notes to Financial Statements

June 30, 2019

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

Southwest Iowa MHDS Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie and Shelby. The member counties entered into this 28E agreement 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 is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance Board also includes one individual who utilizes mental health and disability services or is an actively involved relative of such an individual and one individual representing service providers in the Southwest Iowa MHDS Region service area, serving in a nonvoting, ex officio capacity.

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

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.

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.

Southwest Iowa MHDS Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of Southwest Iowa MHDS Region not expended directly from the Special Revenue, Mental Health Funds of the individual 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, Southwest Iowa MHDS Region considers revenues to be available if they are collected by Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region 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, Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region'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, the Southwest Iowa MHDS 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 and Pooled Investments – The cash balances of most Southwest Iowa MHDS Region 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 reported as a deferred inflow of resources in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

Due 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 which applies to a future year(s) and 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 and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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

Fund 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 and Pooled Investments**

Southwest Iowa MHDS Region's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region; 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.

Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region's Governance Board and each individual member county Board of Supervisors, Southwest Iowa MHDS Region's Chief Executive Officer, the Coordinators of Disability Services and all support staff of Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region.

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. Southwest Iowa MHDS Region's governmental activities financial statements do not report these amounts.

**(4) Risk Management**

Southwest Iowa MHDS Region is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Region not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Southwest Iowa MHDS Region's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. Southwest Iowa MHDS Region's contributions to the Pool for the year ended June 30, 2019 were \$8,844.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by Southwest Iowa MHDS Region's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by Southwest Iowa MHDS Region's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by Southwest Iowa MHDS Region's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

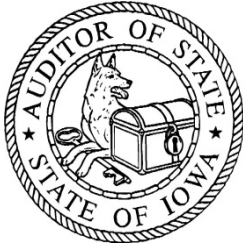
Southwest Iowa MHDS Region does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in Southwest Iowa MHDS Region's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount, if any, to be refunded to the withdrawing member.

**(5) Subsequent Event**

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





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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 Southwest Iowa MHDS 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 Southwest Iowa MHDS Region as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise Southwest Iowa MHDS Region's basic financial statements, and have issued our report thereon dated June 25, 2020. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Cass and Shelby Counties, as described in our report on Southwest Iowa MHDS Region'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 Southwest Iowa MHDS Region'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 Southwest Iowa MHDS Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Iowa MHDS Region'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 Southwest Iowa MHDS Region'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa MHDS Region'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. However, we noted 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 Southwest Iowa MHDS Region's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Southwest Iowa MHDS Region. 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.

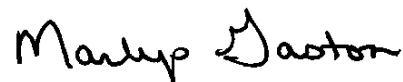
## Southwest Iowa MHDS Region's Response to the Finding

Southwest Iowa MHDS Region's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southwest Iowa MHDS Region's 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 Southwest Iowa MHDS Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southwest Iowa MHDS Region'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 Southwest Iowa MHDS Region during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 25, 2020

Southwest Iowa MHDS Health Region

Schedule of Findings

Year ended June 30, 2019

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**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.

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

Recommendation – Southwest Iowa MHDS Region should ensure the minutes are published as required by the Code of Iowa.

Response – Board minutes are published on the Region’s website at swiamhds.com. We feel this is a broader reach for publicizing throughout our nine-county Region. This also provides cost savings to the Region.

Conclusion – Response acknowledged. The minutes and claims should be published in the newspaper as required by the Code of Iowa.

- (2) Travel Expense – No disbursements of Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region’s investment policy were noted.

- (4) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
CardMember Service	Food purchased to cater annual training held in office	\$ 191
CardMember Service	Seventeen passes to Cryptic Escape Room for team building exercises	340

Southwest Iowa MHDS Health Region

Schedule of Findings

Year ended June 30, 2019

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Regional Governance Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Region should establish written policies and procedures, including the requirement for proper public purpose documentation.

Responses – Each year we hold a training retreat for Region staff. This is very important to learning, team building and is the most efficient cost-effective manner to get such training. Our staff consists of employees working from several different locations, so the team building components we do are important. Team building and working with team dynamics is a vital part of our work in the community. While an escape room at first glance might appear to some as entertainment. I can assure you that the structure of this activity was all about the how and why and outcomes experience from approaching this in a team mentality. Learning occurred before and after as part of the team learning approach (this was not for fun!). As far as catering the meal for the day, again, sharing a meal as a group is part of the day. Sending people away to eat, breaks the day up and we could lose the important aspect of learning and building as a community. We see this as the most efficient and effective way to both learn and grow in our profession.

Conclusion – Response acknowledged. The Regional Governance Board should determine and document the public purpose served by these expenditures before authorizing any further payments.

Southwest Iowa MHDS Region

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Donna F. Kruger, CPA, Manager  
Ryan J. Pithan, CPA, Senior Auditor II  
Brandon G. Sommers, Assistant Auditor