



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

May 2, 2023

Auditor of State Rob Sand today released an audit report on Heart of Iowa Community Services Region for the year ended June 30, 2021.

FINANCIAL HIGHLIGHTS:

The Heart of Iowa Community Services Region's revenues totaled \$3,841,933 for the year ended June 30, 2021, a 43.4% increase over the prior year. Expenses for the year ended June 30, 2021 totaled \$3,588,474, a 23.8% increase over the prior year. The increase in revenues is due primarily to an increase in property tax revenues and Coronavirus Relief Funds. The increase in expenses is primarily due to an increase in mental illness and COVID-19 response expenses.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 28 through 32 of this report. The findings address annual report errors, disbursement reimbursement errors and a deficit balance. Sand provided the Region with recommendations to address each of the findings.

One of the three findings discussed above is repeated from the prior year. The Board has a fiduciary responsibility to provide oversight of the Heart of Iowa Community Services 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 website at [Audit Reports – Auditor of State](#).

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HEART OF IOWA COMMUNITY SERVICES REGION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Heart of Iowa Community Services Region



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Rob Sand
Auditor of State

March 31, 2023

Officials of the Heart of Iowa Community Services Region
Dallas County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Heart of Iowa Community Services Region for the year ended June 30, 2021. 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 Heart of Iowa Community Services 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", written in a cursive style.

Rob Sand
Auditor of State

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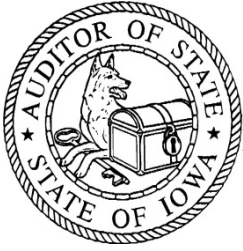
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Heart of Iowa Community Services Region

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Clifford Carney	Board Chair	Guthrie County Board of Supervisors
Brad Golightly	Vice-Chair	Dallas County Board of Supervisors
Rick Thompson	Board Member	Audubon County Board of Supervisors
Laurie Cooley	Non-Voting – Ex Officio Board Member	
Darci Alt	Chief Executive Officer	
Lisa Kempf	Financial Coordinator	

Heart of Iowa Community Services Region



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Independent Auditor's Report

To the Board of Directors of the Heart of Iowa Community Services Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Heart of Iowa Community Services Region as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise Heart of Iowa Community Services Region's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Heart of Iowa Community Services 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 Governmental Activities

As discussed in Note 3, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for the current period 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 the employer and employee 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 governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total other postemployment benefits (OPEB) liability and a deferred outflow of resources or deferred inflows of resources related to 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 inflow 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 governmental activities and, accordingly, has not recorded pension expense for the current period 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 governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of 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 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 the Heart of Iowa Community Services Region, as of June 30, 2021, or the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, 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 the Heart of Iowa Community Services Region as of June 30, 2021, 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 financial statements are not affected by this omitted information.

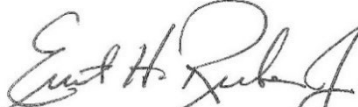
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heart of Iowa Community Services Region’s basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2023 on our consideration of Heart of Iowa Community Services 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 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 Heart of Iowa Community Services Region’s internal control over financial reporting and compliance.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 31, 2023

Heart of Iowa Community Services Region

Basic Financial Statements

Heart of Iowa Community Services Region

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,261,103
Receivables:	
Property tax:	
Delinquent	1,480
Succeeding year	2,241,000
Accounts	813
Due from other Governments	231,020
Prepaid items	<u>957</u>
Total assets	<u>3,736,373</u>
Liabilities	
Accounts payable	176,673
Salaries and benefits payable	45,623
Due to member counties	772
Due to other governments	<u>65,812</u>
Total liabilities	<u>288,880</u>
Deferred Inflows of Resources	
Unavailable succeeding year property tax	<u>2,241,000</u>
Net Position	
Restricted for mental health purposes	<u>\$ 1,206,493</u>

See notes to financial statements.

Heart of Iowa Community Services Region

Statement of Activities

Year ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants, Contributions and Restricted Interest	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Mental health	\$ 3,588,474	1,013,665	(2,574,809)
General Revenues:			
Property and other county tax levied for mental health purposes			2,680,737
State tax credits			144,725
Miscellaneous			2,807
Total general revenues			<u>2,828,269</u>
Change in net position			253,460
Net position beginning of year			<u>953,033</u>
Net position end of year			<u>\$ 1,206,493</u>

See notes to financial statements.

Heart of Iowa Community Services Region

Balance Sheet

June 30, 2021

				Special
	Fiscal Agent	Audubon County	Dallas County	
Assets				
Cash and pooled investments	\$ 30,065	396,573	600,293	
Receivables:				
Property tax:				
Delinquent	-	112	1,175	
Succeeding year	-	-	1,922,000	
Accounts	813	-	-	
Due from other governments	148,607	-	231,019	
Prepaid insurance	-	-	957	
Total assets	\$ 179,485	396,685	2,755,444	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 175,337	-	1,336	
Salaries and benefits payable	-	112	45,511	
Due to member counties	772	-	-	
Due to other governments	16,736	-	49,076	
Total liabilities	192,845	112	95,923	
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	1,922,000	
Other	-	112	232,046	
Total deferred inflows of resources	-	112	2,154,046	
Fund balances (deficits):				
Nonspendable:				
Prepaid insurance	-	-	957	
Restricted for mental health purposes	(13,360)	396,461	504,518	
Total fund balances (deficits)	(13,360)	396,461	505,475	
Total liabilities, deferred inflows of resources and fund balances	\$ 179,485	396,685	2,755,444	

See notes to financial statements.

Revenue	Reclassification/ Elimination/ Entries	Region Total
85,566	148,606	1,261,103
193	-	1,480
319,000	-	2,241,000
-	-	813
-	(148,606)	231,020
-	-	957
<u>404,759</u>	-	<u>3,736,373</u>
-	-	176,673
-	-	45,623
-	-	772
-	-	65,812
-	-	<u>288,880</u>
319,000	-	2,241,000
193	-	232,351
<u>319,193</u>	-	<u>2,473,351</u>
-	-	957
85,566	-	973,185
85,566	-	974,142
<u>404,759</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.

232,351
Net position of governmental activities <u>\$ 1,206,493</u>

Heart of Iowa Community Services Region

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2021

	Special Revenue,		
	Fiscal Agent	Audubon County	Dallas County
Revenues:			
Property and other county tax	\$ -	137,363	2,276,943
Intergovernmental revenues:			
State tax credits	-	8,055	121,018
MH-DD reimbursement from other governments	-	6,104	940,425
Payments from member counties	2,273,326	-	-
Other	1,011,418	-	364
Total intergovernmental revenues	3,284,744	14,159	1,061,807
Miscellaneous	2,806	-	-
Total revenues	3,287,550	151,522	3,338,750
Expenditures:			
Services to persons with:			
Mental illness	2,255,553	-	509,380
Intellectual disability	95,546	3,870	-
Other developmental disabilities	6,062	-	-
Brain injury	13,166	-	-
Total direct services	2,370,327	3,870	509,380
General administration:			
Direct administration	471,831	-	450,191
Distribution to member counties	729,445	-	-
Distribution to MHDS regional fiscal agent	-	147,836	1,836,439
Total general administration	1,201,276	147,836	2,286,630
Total mental health, intellectual disabilities and developmental disabilities expenditures	3,571,603	151,706	2,796,010
Excess (deficiency) of revenues over (under) expenditures	(284,053)	(184)	542,740
Fund balances (deficits) beginning of year	270,693	396,645	(37,265)
Fund balances (deficits) end of year	\$ (13,360)	396,461	505,475

See notes to financial statements.

Mental Health Funds		
Guthrie County	Reclassification/ Elimination Entries	Region Total
266,231	-	2,680,537
15,652	-	144,725
2,426	(948,955)	-
-	(2,273,326)	-
-	-	1,011,782
18,078	(3,222,281)	1,156,507
-	-	2,806
284,309	(3,222,281)	3,839,850
3,198	-	2,768,131
-	-	99,416
-	-	6,062
-	-	13,166
3,198	-	2,886,775
-	-	922,022
-	(948,955)	(219,510)
288,238	(2,273,326)	(813)
288,238	(3,222,281)	701,699
291,436	(3,222,281)	3,588,474
(7,127)	-	251,376
92,693	-	722,766
85,566	-	974,142

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

Net change in fund balances \$ 251,376

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

2,084
Change in net position of governmental activities \$ 253,460

Heart of Iowa Community Services Region

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The Heart of Iowa Community Services 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: Audubon County, Dallas County, and Guthrie County. 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 Region governing 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 relative of such an individual, serving in a nonvoting, ex officio capacity.

The Region designated Dallas 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 Auditor's Report, the 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 the Region are intended to present the financial position and the changes in financial position of the Heart of Iowa Community Services Region, which includes funds held by the 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, the Heart of Iowa Community Services Region has included all funds, organizations, agencies, commissions and authorities. The 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 the Region are such that exclusion would cause the 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 the 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 the Region. The 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 the Heart of Iowa Community Services Region.

The Statement of Net Position presents the Region's 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 is 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.

The Heart of Iowa Community Services Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of the Region not expended directly from the 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, the Region considers revenues to be available if they are collected 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 the Region or 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, the 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 is both restricted and unrestricted net position available to finance the program. It is the 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 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 Heart of Iowa Community Services Region funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or the member county 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 government-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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2020.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements 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 Balance – 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 or because they are legally or contractually required to be maintained intact.

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

The Heart of Iowa Community Services Region's deposits in banks at June 30, 2021 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.

The 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 the 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.

The 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 the Regional Governance Board and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of the 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 from the Region.

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. 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 on the governmental activities financial statements. The Heart of Iowa Mental Health Region's governmental activities financial statements do not report these amounts.

(4) Risk Management

The Heart of Iowa Community Services 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 785 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, 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.

The Heart of Iowa Community Services 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. The Heart of Iowa Community Services Region's contributions to the Pool for the year ended June 30, 2021 were \$3,314.

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 the 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 the 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 the 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 the loss was incurred.

The Heart of Iowa Community Services 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, 2021, no liability has been recorded in the Region's financial statements. As of June 30, 2021, 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) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Heart of Iowa Community Services Region, remains uncertain.

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

(6) Subsequent Event

The Governor signed Senate File 619 on June 16, 2021 which significantly change funding for the Heart of Iowa Community Services Region starting July 1, 2021. During fiscal year 2022, the Region continued to receive property tax (a maximum of \$21.14 per capita) and some state funding. Beginning in fiscal year 2023, the Region will no longer receive property tax levy funds from the member counties. All funding will, instead, come entirely from state appropriations.

Supplementary Information

Heart of Iowa Community Services Region

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Treasury			
Iowa Department of Revenue			
COVID-19, Coronavirus Relief Fund	21.019	FY21	<u>\$ 1,011,417</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards includes the Federal Award activity of Heart of Iowa Community Services Region under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Heart of Iowa Community Services Region, it is not intended to and does not present the financial position, changes in financial position or cash flows of Heart of Iowa.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Heart of Iowa has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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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 the Heart of Iowa Community Services 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 the Heart of Iowa Community Services Region as of and for the year ended June 30, 2021, and the related Notes to Financial Statement, and have issued our report thereon dated March 31, 2023. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Heart of Iowa Community Services 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 the Heart of Iowa Community Services Region's internal control. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Community Services 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 the 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Heart of Iowa Community Services 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 an immaterial instance of noncompliance or other matters which is described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Heart of Iowa Community Services Region's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the 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.

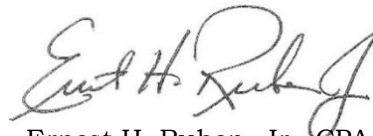
Heart of Iowa Community Services Region's Responses to the Findings

The Heart of Iowa Community Services Region's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 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 the Heart of Iowa Community Services 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 the 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 the Heart of Iowa Community Services 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 31, 2023



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Heart of Iowa Mental Health:

Report on Compliance for Each Major Federal Program

We have audited Heart of Iowa Community Services Region, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2021. Heart of Iowa Community Services Region's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Heart of Iowa Community Services Region's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heart of Iowa Community Services Region's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Heart of Iowa Community Services Region's compliance.

Opinion on the Major Federal Program

In our opinion, Heart of Iowa Community Services Region complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003, to be a material weakness.

Heart of Iowa Community Services Region's response to the internal control over compliance finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Heart of Iowa Community Services Region's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 31, 2023

Heart of Iowa Community Services Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

- (a) Unmodified opinions were issued on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund balance of each major fund. Adverse opinions were issued on the Statement of Net Position and the Statement of Activities of the governmental activities.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 21.019, Coronavirus Relief Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Heart of Iowa did not qualify as a low-risk auditee.

Heart of Iowa Community Services Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part II: Finding Related to the Financial Statement:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

2021-001 Annual Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Region’s financial statements.

Condition – Revenues and expenditures in the Heart of Iowa Community Services Region’s Annual Report did not agree to financial information reported in its member counties’ respective GAAP-basis annual financial reports. Revenues, and expenditures were overstated by \$53,744 and \$57,572, respectively. Fund Balance was understated by \$3,828.

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

Effect – Lack of policies and procedures resulted in the Region’s employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Region’s financial statements were necessary.

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

Response – We will attempt to do this whenever possible. Our annual report is due before the member counties’ GAAP is due, so this is difficult to ensure. We have requested that DHS review policies on when the Annual Report is due to assist in consistency.

Conclusion – Response accepted.

2021-002 Disbursement Reimbursements

Criteria – An effective internal control system provides for internal controls related to paying for disbursements based off proper support such as invoices.

Condition – The Region approved bids from vendors to provide mental health services under the CARES Act. At various times before the projects were completed, vendors submitted progress billings to the Region. The Region paid the vendor at 90% of the total contract amount rather than 90% of the invoices submitted.

Heart of Iowa Community Services Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Cause – Policies and procedures were not established on how to reimburse vendors for partial completion of projects.

Effect – The payment of projects before completion could result in projects not being completed.

Recommendation – The Region should establish procedures to ensure proper accounting and payment of invoices before the completion of the project

Response and Corrective Action Planned – The Region will adopt policies moving forward to ensure public purpose is documented.

Conclusion – Response accepted.

Heart of Iowa Community Services Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 21.019: COVID-19, Coronavirus Relief Fund
Pass-through Entity Identifying Number: FY21
Federal Award Year: 2021
Prior Year Finding Number: N/A
Pass through the Iowa Department of Revenue

2021-003 Unsupported Disbursements – The Region approved bids from vendors to provide mental health services under the CARES Act. At various times before the projects were completed, vendors submitted progress billings to the Region. The Region paid the vendor at 90% of the total contract amount rather than 90% of the invoices submitted. See 2021-002.

Heart of Iowa Community Services Region
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

- 2021-A Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not. The vote of each member present is indicated in the meeting minutes as required by Chapter 21.3 of the Code of Iowa.
- 2021-B Travel Expense – No disbursements of the Region’s money for travel expenses of spouses of Region’s officials or employees were noted.
- 2021-C Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.
- 2021-D Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- 2021-E Restricted Donor Activity – No transactions were noted between the Region, Region officials, Region employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2021-F Financial Condition – Fiscal Agent Fund had a deficit fund balance of \$13,360 at June 30, 2021.

Recommendations – The region should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – The Region will work more closely with the fiscal agent to ensure our ending balances match moving forward. As such, each county no longer holds their own accounts and with this change, discrepancies such as this should be avoided moving forward.

Conclusion – Response accepted.

Heart of Iowa Community Services Region

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Deborah J. Moser, CPA, Manager
Katherine L. Rupp, CPA, Manager
Noelle M. Johnson, Senior Auditor
Cassie Hermsen, Auditor Intern