



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

January 17, 2024

Auditor of State Rob Sand today released an audit report on Heart of Iowa Community Services Region for the year ended June 30, 2022.

FINANCIAL HIGHLIGHTS:

The Heart of Iowa Community Services Region's revenues totaled \$3,806,992 for the year ended June 30, 2022, a less than 1.0% decrease from the prior year. Expenses for the year ended June 30, 2022 totaled \$4,072,367, a 13.5% increase over the prior year. The increase in expenses is primarily due to an increase in mental illness services provided.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 22 through 24 of this report. The findings address annual report errors, lack of support for journal entries and material amounts of capital assets not recorded. Sand provided the Heart of Iowa Community Services 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](#).

###

HEART OF IOWA COMMUNITY SERVICES REGION

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

JUNE 30, 2022

Heart of Iowa Community Services Region



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

December 12, 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, 2022. 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

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Independent Auditor's Report | 5-7 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Statement of Net Position | A 10 |
| Statement of Activities | B 11 |
| Balance Sheet | C 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | D 13 |
| Notes to Financial Statements | 14-19 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 20-21 |
| Schedule of Findings | 22-24 |
| Staff | 25 |

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



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

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Heart of Iowa Community Services Region, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the Heart of Iowa Community Services Region's basic financial statements as listed in the table of contents.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not represent fairly the financial position of the governmental activities of the Heart of Iowa Community Services Region, as of June 30, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Heart of Iowa Community Services Region, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Region, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 3 to the financial statements, 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. Accounting principles generally accepted in the United States of America require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of 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 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 other postemployment benefits (OPEB) liability and a deferred outflow of resources or deferred inflows of resources related to other 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. Accounting principles generally accepted in the United States of America 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 liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 3 to the financial statements, 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. Accounting principles generally accepted in the United States of America 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 liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Heart of Iowa Community Services Region's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

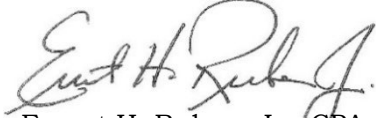
In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heart of Iowa Community Services Region's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart of Iowa Community Services Region's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2023 on our consideration of Heart of Iowa Community Services Region's internal control over financial reporting and on 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 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 Heart of Iowa Community Services Region's internal control over financial reporting and compliance.


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

December 12, 2023

Heart of Iowa Community Services Region

Basic Financial Statements

Heart of Iowa Community Services Region

Statement of Net Position

June 30, 2022

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 619,104 |
| Receivables: | |
| Accounts | 3,049 |
| Due from other Governments | 245,382 |
| Prepaid expenditures | 494,000 |
| Capital assets, net of accumulated depreciation | <u>41,264</u> |
| Total assets | <u>1,402,799</u> |
| Liabilities | |
| Accounts payable | 164,261 |
| Due to other governments | <u>297,420</u> |
| Total liabilities | <u>461,681</u> |
| Net Position | |
| Net investment in capital assets | 41,264 |
| Restricted for mental health purposes | <u>899,854</u> |
| Total net position | <u>\$ 941,118</u> |

See notes to financial statements.

Heart of Iowa Community Services Region

Statement of Activities

Year ended June 30, 2022

| | <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 | \$ 4,072,367 | 1,565,314 | (2,507,053) |
| General Revenues: | | | |
| Property and other county tax levied for mental health purposes | | | 2,127,214 |
| State tax credits | | | 109,659 |
| Miscellaneous | | | 4,805 |
| Total general revenues | | | <u>2,241,678</u> |
| Change in net position | | | (265,375) |
| Net position beginning of year | | | <u>1,206,493</u> |
| Net position end of year | | | <u>\$ 941,118</u> |

See notes to financial statements.

Heart of Iowa Community Services Region

Balance Sheet

June 30, 2022

| | <u>Fiscal Agent</u> |
|---|----------------------------|
| Assets | |
| Cash and pooled investments | \$ 619,104 |
| Receivables: | |
| Accounts | 3,049 |
| Due from other governments | 245,382 |
| Prepaid expenditures | <u>494,000</u> |
| Total assets | <u>\$ 1,361,535</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | |
| Liabilities: | |
| Accounts payable | \$ 164,261 |
| Due to other governments | <u>297,420</u> |
| Total liabilities | <u>461,681</u> |
| Fund balances: | |
| Nonspendable: | |
| Prepaid expenditures | 494,000 |
| Restricted for: | |
| Mental health purposes | <u>405,854</u> |
| Total fund balances | <u>899,854</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,361,535</u> |

Reconciliation of the Balance Sheet to the Statement of Net Position

| | |
|---------------------|------------|
| Fund Balance | \$ 899,854 |
|---------------------|------------|

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$51,580 and the accumulated depreciation is \$10,316.

| |
|---------------|
| <u>41,264</u> |
|---------------|

| | |
|--|--------------------------|
| Net position of governmental activities (page 10) | <u>\$ 941,118</u> |
|--|--------------------------|

See notes to financial statements.

Heart of Iowa Community Services Region

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2022

| | Special Revenue, Mental Health Funds | | | | Reclassification/ Elimination Entries | Region Total |
|---|--------------------------------------|-------------------|------------------|-------------------|---|-----------------|
| | Fiscal Agent | Audubon County | Dallas County | Guthrie County | | |
| Revenues: | | | | | | |
| Property and other county tax | \$ - | - | 1,922,314 | 217,740 | - | 2,140,054 |
| Intergovernmental revenues: | | | | | | |
| State tax credits | - | - | 97,533 | 12,126 | - | 109,659 |
| MH-DD reimbursement from other governments | - | 4,272 | 1,014,190 | 2,601 | (1,021,063) | - |
| Payments from member counties | 3,373,674 | - | - | - | (3,373,674) | - |
| State regional service payments | 1,738,859 | - | - | - | - | 1,738,859 |
| Other | - | - | 468 | 26 | 45,472 | 45,966 |
| Total intergovernmental revenues | 5,112,533 | 4,272 | 1,112,191 | 14,753 | (4,349,265) | 1,894,484 |
| Miscellaneous | 4,805 | - | - | - | - | 4,805 |
| Total revenues | 5,117,338 | 4,272 | 3,034,505 | 232,493 | (4,349,265) | 4,039,343 |
| Expenditures: | | | | | | |
| Services to persons with: | | | | | | |
| Mental illness | 2,703,868 | - | 505,975 | 2,806 | 231,521 | 3,444,170 |
| Intellectual disability | 51,816 | 3,793 | - | - | (299) | 55,310 |
| Other developmental disabilities | 3,496 | - | - | - | - | 3,496 |
| Brain injury | 18,965 | - | - | - | - | 18,965 |
| Total direct services | 2,778,145 | 3,793 | 505,975 | 2,806 | 231,222 | 3,521,941 |
| General administration: | | | | | | |
| Direct administration | 219,424 | - | 372,266 | - | - | 591,690 |
| Distribution to member counties | 1,206,555 | - | - | - | (1,206,555) | - |
| Distribution to MHDS regional fiscal agent | - | 396,940 | 2,661,739 | 315,253 | (3,373,932) | - |
| Total general administration | 1,425,979 | 396,940 | 3,034,005 | 315,253 | (4,580,487) | 591,690 |
| Total mental health, intellectual disabilities and developmental disabilities expenditures | 4,204,124 | 400,733 | 3,539,980 | 318,059 | (4,349,265) | 4,113,631 |
| Excess (deficiency) of revenues over (under) expenditures | 913,214 | (396,461) | (505,475) | (85,566) | - | (74,288) |
| Fund balances (deficits) beginning of year | (13,360) | 396,461 | 505,475 | 85,566 | - | 974,142 |
| Fund balances end of year | \$ 899,854 | - | - | - | - | 899,854 |

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities Net change
in fund balances**

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.

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year.

Change in net position of governmental activities

41,264
\$ (265,375)

See notes to financial statements.

Heart of Iowa Community Services Region

Notes to Financial Statements

June 30, 2022

(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. Senate File 619 required member counties prior to June 30, 2022, to remit remaining cash balances in their Special Revenue, Mental Health Funds to the Region.

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:

Net investment in capital assets consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 by the fiscal agent. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

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

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Region as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

| Asset Class | Amount |
|------------------------|----------|
| Equipment and vehicles | \$ 5,000 |

Capital assets of the Region are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|------------------------|--------------------------------------|
| Equipment and vehicles | 3 - 20 |

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, 2022 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 794 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, employment practices liability, public officials liability and police professional liability. 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, 2022 were \$4,184.

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, 2022, no liability has been recorded in the Region's financial statements. As of June 30, 2022, 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) Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

| | Restated* | | | Balance |
|---|-----------|-----------|-----------|-----------|
| | Balance | | | Balance |
| | Beginning | | | End |
| | of Year | Increases | Decreases | of Year |
| Governmental activities: | | | | |
| Capital assets being depreciated/amortized: | | | | |
| Equipment and vehicles | \$ 45,833 | 51,580 | 45,833 | 51,580 |
| Total capital assets being depreciated/amortized | 45,833 | 51,580 | 45,833 | 51,580 |
| Less accumulated depreciation/amortization for: | | | | |
| Equipment and vehicles | 45,833 | 10,316 | 45,833 | 10,316 |
| Total accumulated depreciation/amortization | 45,833 | 10,316 | 45,833 | 10,316 |
| Total capital assets being depreciated/amortized, net | - | 41,264 | - | 41,264 |
| Governmental activities capital assets, net | \$ - | 41,264 | - | 41,264 |
| Governmental activities: | | | | |
| Mental health | | | | \$ 10,316 |

* Beginning capital assets and accumulated depreciation were restated for assets not previously recorded. There is no effect on beginning net position.

(6) Subsequent Event

The Governor signed Senate File 619 on June 16, 2021 which significantly changed 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 July 1, 2022, the Region will no longer receive property tax from the member counties. All funding will, instead, come from State of Iowa service payments. The member counties remitted remaining Special Revenue, Mental Health Fund balances to the Heart of Iowa Mental Health Region as of June 30, 2022.



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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 auditing standards generally accepted in the United States of America 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 Heart of Iowa Community Services Region as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, and have issued our report thereon dated December 12, 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, pension related activity and other postemployment benefits.

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 (internal control) as a basis for designing the audit procedures appropriate in the circumstances for the purpose of expressing our opinions 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.

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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 that a material misstatement of the Region's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heart of Iowa Community Services Region's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Region's operations for the year ended June 30, 2022 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.

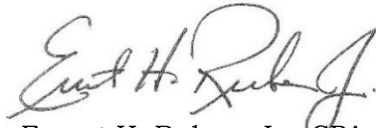
Heart of Iowa Community Services Region's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Heart of Iowa Community Services Region's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Heart of Iowa Community Services Region's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 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 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
Chief Deputy Auditor of State

December 12, 2023

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2022

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

2022-001 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 understated by \$50,491 and \$195,074, respectively, and fund balance was overstated by \$144,583.

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. Previously, our annual report was due before the member counties GAAP reports, so it was difficult to ensure accurate information. Starting in FY2023, we will no longer rely on County reports so our records should be more accurate.

Conclusion – Response accepted.

2022-002 Capital Assets

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 County’s financial statements.

Condition – Material amounts of capital assets were not properly recorded in the Region’s financial statements.

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2022

Cause – Procedures have not been established to ensure a listing of capital assets are maintained and capital assets are properly recorded.

Effect – Lack of policies and procedures could affect the Region’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The County should establish procedures to ensure a capital asset listing is maintained and reviewed and capital assets are properly recorded.

Response – The Region will establish a capital asset listing.

Conclusion – Response acknowledged. The Region should also ensure capital assets are properly recorded.

2022-003 Journal Entries

Criteria – Supporting documentation for journal entries supports the accuracy of the entries by employees. An independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Supporting documentation is not maintained for all journal entries. Approval and review for journal entries is not documented.

Cause – Procedures have not been designed to require supporting documentation for journal entries and to document the review and approval of journal entries.

Effect – Inadequate supporting documentation or lack of independent approval of transactions could adversely affect the Region’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Journal entries should be supported, and the support should be provided to an independent person for review and approval.

Response – We will in the future ensure email documentation is in place for all requested journal entries.

Conclusion – Response accepted.

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

- 2022-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.
- 2022-B Travel Expense – No disbursements of the Region’s money for travel expenses of spouses of Region’s officials or employees were noted.
- 2022-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.
- 2022-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.
- 2022-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.

Heart of Iowa Community Services Region

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy

Katherine L. Rupp, CPA, Manager

Noelle M. Johnson, Senior II Auditor