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

NEWS RELEASE

		Contact: Brian Brustkern
FOR RELEASE	February 28, 2024	515/281-5834

Auditor of State Rob Sand today released an audit report on County Social Services for the year ended June 30, 2022.

FINANCIAL HIGHLIGHTS:

The County Social Services' revenues totaled $11,261,872 for the year ended June 30, 2022, a 34.5% decrease from the prior year. Expenses for the year ended June 30, 2022 totaled $14,274,515, a 13.9% decrease from the prior year. The significant decrease in revenues and expenses are due primarily to a COVID-19, Coronavirus Relief Funds received in the year ended June 30, 2021. In addition, revenues decreased due to a reduction in property taxes collected by the member counties during the fiscal year.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and expenditure of taxpayer funds. They can be found on pages 48 through 51 of this report. The findings address issues such as a lack of segregation of duties, material amounts of receivables were not properly recorded and bank reconciliations were not reviewed by an independent official. Sand provided the County Social Services with recommendations to address each of these findings.

The Board Members have a fiduciary responsibility to provide oversight of the County Social Services' 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.

# # #

COUNTY SOCIAL SERVICES

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

JUNE 30, 2022

County Social Services

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

February 16, 2024

Officials of County Social Services

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for County Social Services 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 County Social Services 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,

Rob Sand
Auditor of State

Table of Contents

County Social Services

Regional Governance Board

Name	Title	Representing
Greg Barnett	Chair	Butler County Board of Supervisors
Jackob Hackman	Vice Chair	Chickasaw County Board of Supervisors
Pat Murray	Secretary/Treasurer	Howard County Board of Supervisors
Larry Schellhammer	Board Member	Allamakee County Board of Supervisors
Craig White	Board Member	Black Hawk County Board of Supervisors
Sharon Keehner	Board Member	Clayton County Board of Supervisors
Jeanine Tellin	Board Member	Fayette County Board of Supervisors
Roy Schwickerath	Board Member	Floyd County Board of Supervisors
Heidi Nederhoff	Board Member	Grundy County Board of Supervisors
Mark Hendrickson	Board Member	Mitchell County Board of Supervisors
Larry Vest	Board Member	Tama County Board of Supervisors
Gary Rustad	Board Member	Winneshiek County Board of Supervisors
Eric Donat	Board Member	Adult or Actively Involved Relative
June Klein-Bacon	Board Member	Parent or Actively Involved Relative
Kristi Aschenbrenner	Board Member	Regional Education System Representative
Britney Montross	Non-voting Ex-Officio Board Member	
Katie Wahl	Non-voting Ex-Officio Board Member	
Mary McKinnell	Chief Executive Officer	
Karen Dowell	Chief Operating Officer	
Lisa Trainer	Finance Manager	
Raina Kellogg	Quality Improvement Coordinator	

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 Regional Governance Board of County Social Services:

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 County Social Services, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the County Social Services' 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 County Social Services, 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 the major funds of the County Social Services, 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.

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Special Revenue, Mental Health Funds of Allamakee, Black Hawk, Chickasaw, Clayton, Fayette, Floyd, Howard, Mitchell, Tama and Winneshiek Counties, which represent the following:

Member County	Share of Revenues
Allamakee	3.44%
Black Hawk	34.54
Chickasaw	2.98
Clayton	4.39
Fayette	5.29
Floyd	4.00
Howard	3.11
Mitchell	2.70
Tama	4.84
Winneshiek	5.00

Those Special Revenue, Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those Counties, is based solely on the reports of the other auditors.

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 9 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. 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 amount 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 County Social Services' 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 County Social Services' 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 County Social Services' 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.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, County Social Services adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified in respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2024 on our consideration of County Social Services' 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 Mental Health 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 County Social Services' internal control over financial reporting and compliance.

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

February 16, 2024

County Social Services

Basic Financial Statements

County Social Services

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and pooled investments	$ 8,853,194
Due from other governments	815,877
Loan receivable	21,636
Capital assets, net of accumulated depreciation	17,871
Total assets	9,708,578
Deferred Outflows of Resources	
Pension related deferred outflows	1,537,629
Liabilities	
Accounts payable	542,059
Salaries and benefits payable	118,488
Due to other governments	263,382
Long term liabilities:	
Portion due or payable within one year:	
Lease agreements	2,310
Compensated absences	78,971
Portion due or payable after one year:	
Lease agreements	3,619
Compensated absences	26,727
Net pension liability	41,583
Total liabilities	1,077,139
Deferred Inflows of Resources	
Pension related deferred inflows	1,538,384
Net Position	
Net investment in capital assets	11,942
Restricted for mental health purposes	8,618,742
Total net position	$ 8,630,684

See notes to financial statements.

County Social Services

Statement of Activities

Year ended June 30, 2022

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:				
Governmental activities:				
Mental health	$ 14,274,515	73,712	4,898,229	(9,302,574)
General Revenues:				
Property and other county tax levied for mental health purposes				5,785,487
State tax credits				504,444
Total general revenues				6,289,931
Special item - distribution due to change in region				(1,079,191)
Total general revenues and special item				5,210,740
Change in net position				(4,091,834)
Net position beginning of year				12,722,518
Net position end of year				$ 8,630,684

See notes to financial statements.

County Social Services

Balance Sheet

June 30, 2022

		Special Revenue,	
	Region	Allamakee County	Tama County
Assets			
Cash and pooled investments	$ 8,711,983	-	1,781
Receivables:			
Property tax:			
Delinquent	-	267	-
Due from other governments	821,129	-	-
Loan receivable	21,636	-	-
Total assets	$ 9,554,748	267	1,781
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	542,018	-	-
Salaries and benefits payable	118,488	-	-
Due to other governments	283,753	267	1,781
Total liabilities	944,259	267	1,781
Fund balances:			
Restricted for mental health purposes	8,610,489	-	-
Total liabilities and fund balances	$ 9,554,748	267	1,781

See notes to financial statements.

Mental Health Funds	
Reclassifications	Total
-	8,713,764
(267)	-
(22,152)	798,977
-	21,636
(22,419)	9,534,377
-	542,018
-	118,488
(22,419)	263,382
(22,419)	923,888
-	8,610,489
(22,419)	9,534,377

County Social Services

County Social Services

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2022

Total governmental funds (page 13)		$ 8,610,489
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $28,203 and the accumulated depreciation is $10,332.		17,871
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 1,537,629	
Deferred inflows of resources	(1,538,384)	(755)
Long-term liabilities, including lease agreements, compensated absences payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(153,210)
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the Region's health insurance benefit plan to the funds. The assets and liabilities of the Internal Service fund is included in governmental activities in the statement of Net Position.		156,289
Net position of governmental activities (page 10)		$ 8,630,684

See notes to financial statements.

County Social Services

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2022

	Region	Allamakee County	Black Hawk County	Butler County
				Special Revenue,
Revenues:				
Property and other county tax	$ -	273,088	2,616,627	286,180
Intergovernmental revenues:				
State tax credits	-	21,561	218,527	22,378
Payments from member counties	8,232,389	-		-
Payments from MHDS fiscal agent to MHDS regional members	-	-	107,312	-
Medicaid	141,086	-	-	-
State regional service payments	4,646,171	-	-	-
Other	13,100	-	-	-
Total intergovernmental revenues	13,032,746	21,561	325,839	22,378
Charges for service	-	-	13,044	-
Use of money and property	56,128	-	-	430
Miscellaneous	49,314	-	-	-
Total revenues	13,138,188	294,649	2,955,510	308,988
Expenditures:				
Services to persons with:				
Mental illness	8,548,163	1,048	991	-
Intellectual disabilities	917,614	-	-	-
Other developmental disabilities	435,010	-	-	-
Brain injury	72,273	-	-	-
Total direct services to consumers	9,973,060	1,048	991	-
General administration:				
Direct administration	1,017,915	-	81,915	-
Purchased administration	110,435	-	-	-
Distribution to MHDS regional fiscal agent	-	378,262	3,659,239	398,052
Fiscal agent reimbursement to member counties	258,129	-	-	-
Distribution to non member counties/regions	2,714,946	-	-	-
Total general administration	4,101,425	378,262	3,741,154	398,052
County provided case management	163,320	-	-	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	14,237,805	379,310	3,742,145	398,052
Transfer in (out)	-	-	-	-
Special item - distribution due to change in region	-	-	-	-
Net change in fund balances	(1,099,617)	(84,661)	(786,635)	(89,064)
Fund balances beginning of year	9,710,106	84,661	786,635	89,064
Fund balances end of year	$ 8,610,489	-	-	-

See notes to financial statements.

Mental Health Funds							
Cerro Gordo County	Chickasaw County	Clayton County	Emmet County	Fayette County	Floyd County	Grundy County	Hancock County
-	238,259	347,815	-	388,017	311,767	244,052	-
-	17,000	27,444	-	64,715	26,101	18,553	-
-	-	-	-	-	-		-
-	-	-	-	-	4,861	23,466	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	17,000	27,444	-	64,715	30,962	42,019	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	255,259	375,259	-	452,732	342,729	286,071	-
-	-	-	-	-	4,461	615	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,461	615	-
-	-	2	-	32,149	-	592	-
-	-	-	-	-	-	-	-
-	310,013	415,339	-	510,831	531,423	401,525	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	310,013	415,341	-	542,980	531,423	402,117	-
-	-	-	-	-	-	-	-
-	310,013	415,341	-	542,980	535,884	402,732	-
-	(826)	-	-	-	-	-	-
400,666	-	-	47,144	-	-	-	29,862
(400,666)	(55,580)	(40,082)	(47,144)	(90,248)	(193,155)	(116,661)	(29,862)
400,666	55,580	40,082	47,144	90,248	193,155	116,661	29,862
-	-	-	-	-	-	-	-

(continued on next page)

County Social Services

Statement of Revenues, Expenditures and
Changes in Fund Balances
(Continued)

Year ended June 30, 2022

	Special Revenue,			
	Howard County	Humboldt County	Mitchell County	Pocahontas County
Revenues:				
Property and other county tax	182,291	-	212,329	-
Intergovernmental revenues:				
State tax credits	16,161	-	18,669	-
Payments from member counties		-	-	-
Payments from MHDS fiscal agent to MHDS regional members	67,869	-	-	-
Medicaid	-	-	-	-
State regional service payments	-	-	-	-
Other	-	-	-	-
Total intergovernmental revenues	84,030	-	18,669	-
Charges for service	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	266,321	-	230,998	-
Expenditures:				
Services to persons with:				
Mental illness	77,969	-	-	-
Intellectual disabilities	-	-	-	-
Other developmental disabilities	-	-	-	-
Brain injury	-	-	-	-
Total direct services to consumers	77,969	-	-	-
General administration:				
Direct administration	-	-	-	-
Purchased administration	-	-	-	-
Distribution to MHDS regional fiscal agent	274,340	-	345,909	-
Fiscal agent reimbursement to member counties	-	-	-	-
Distribution to non member counties/regions	-	-	-	-
Total general administration	274,340	-	345,909	-
County provided case management	-	-	-	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	352,309	-	345,909	-
Transfer in (out)	-	-	-	-
Special item - distribution due to change in region	-	48,111	-	59,729
Net change in fund balances	(85,988)	(48,111)	(114,911)	(59,729)
Fund balances beginning of year	85,988	48,111	114,911	59,729
Fund balances end of year	-	-	-	-

See notes to financial statements.

Mental Health Funds					
Tama County	Webster County	Winneshiek County	Wright County	Reclassification/ Elimination Entries	Total
337,231	-	396,959	-	-	5,834,615
22,117	-	31,218	-	-	504,444
	-	-	-	(8,232,389)	-
54,621	-	-	-	(258,129)	-
-	-	-	-	-	141,086
-	-	-	-	-	4,646,171
-	-	-	-	(826)	12,274
76,738	-	31,218	-	(8,491,344)	5,303,975
8	-	-	-	-	13,052
-	-	-	-	-	56,558
-	-	-	-	-	49,314
413,977	-	428,177	-	(8,491,344)	11,257,514
39,712	-	-	-	-	8,672,959
-	-	-	-	-	917,614
-	-	-	-	-	435,010
-	-	-	-	-	72,273
39,712	-	-	-	-	10,097,856
831	-	-	-	-	1,133,404
-	-	-	-	-	110,435
527,446	-	480,010	-	(8,232,389)	-
-	-	-	-	(258,129)	-
-	-	-	-	-	2,714,946
528,277	-	480,010	-	(8,490,518)	3,958,785
-	-	-	-	-	163,320
567,989	-	480,010	-	(8,490,518)	14,219,961
-	-	-	-	826	-
-	331,453	-	162,226	-	1,079,191
(154,012)	(331,453)	(51,833)	(162,226)	-	(4,041,638)
154,012	331,453	51,833	162,226	-	12,652,127
-	-	-	-	-	8,610,489

County Social Services

Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year end June 30, 2022

Change in fund balances - Total governmental funds (page 19)		$ (4,041,638)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year.		(6,352)
Because some revenues will not be collected for several months after the Region's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds.		(49,128)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year payments exceeded issuances.		2,374
The current year Region share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		135,734
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	$ (2,106)	
Pension expense	(195,006)	(197,112)
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the Region's health insurance benefit plan to the funds. The change in the cash balance of the Internal Service Fund is reported with governmental activities in the Statement of Net Position.		64,288
Change in net position of governmental activities (page 11)		$ (4,091,834)

See notes to financial statements.

County Social Services

Statement of Net Position
Proprietary Fund

June 30, 2022

	Internal Service-Employee Group Health
Assets	
Cash	$ 139,430
Due from other governments	16,900
Liabilities	
Accounts payable	41
Net Position	
Restricted for employee health	$ 156,289

See notes to financial statements.

County Social Services

Statement of Revenues, Expenses
And Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2022

		Internal Service-Employee Group Health
Operating revenues:		
Employer contributions		$ 417,230
Employee contributions		52,660
Total operating revenues		469,890
Operating expenses:		
Medical claims	$ 44,524	
Insurance premiums	361,078	405,602
Operating income		64,288
Net position beginning of year		92,001
Net position end of year		$ 156,289

See notes to financial statements.

County Social Services

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2022

		Internal Service-Employee Group Health
Cash flows from operating activities:		
Cash received from operating fund reimbursements	$	402,311
Cash received from employees		50,679
Cash paid to suppliers for services		(457,451)
Net cash provided by operating activities		(4,461)
Cash and cash equivalents beginning of year		143,891
Cash and cash equivalents end of year	$	139,430
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	64,288
Adjustment to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Due from other governments		(16,900)
Accounts payable		(51,849)
Net cash provided by operating activities	$	(4,461)

See notes to financial statements.

County Social Services

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2022

	Custodial Fund
Assets:	
Cash	$ 25,010
Due from other governments	634
Liabilities:	
None	-
Net Position:	
Restricted for individuals	$ 25,644

See notes to financial statements.

County Social Services

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

June 30, 2022

	Custodial Fund
Additions:	
Employee contributions	$ 13,449
Deductions:	
Flex benefit payments	6,261
Change in net position	7,188
Net position beginning of year	18,456
Net position end of year	$ 25,644

See notes to financial statements.

(1) Summary of Significant Accounting Policies

County Social Services is a jointly governed organization formed pursuant to the provision of Chapter 28E of the Code of Iowa. County Social Services includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Howard, Mitchell, Tama and Winneshiek. 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.

County Social Services' Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance Board also includes one individual who utilizes mental health and disability services or is an actively involved relative of such an individual and one individual representing service providers in the County Social Services service area.

Except as noted in the Independent Auditors Report, County Social Services' 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 County Social Services are intended to present the financial position and the changes in financial position of County Social Services', which includes funds held by County Social Services' and funds held by the individual member counties in their respective Special Revenue, Mental Health Funds. Capital assets used for mental health purposes prior to January 1, 2020 were owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, County Social Services has included all funds, organizations, agencies, commissions and authorities. County Social Services 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 County Social Services are such that exclusion would cause County Social Services' 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 County Social Services 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 County Social Services. County Social Services has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Region. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the nonfiduciary 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 consists 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 are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

County Social Services reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Region) is used to account for the activity of County Social Services not expended directly from the Special Revenue, Mental Health Funds of the other member counties.

The Special Revenue, Mental Health Funds of the other 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.

Additionally, the Region reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods and services purchased by one department of the Region and provided to other departments on a cost-reimbursement basis.

Fiduciary Fund – The custodial fund is used to account for assets held by the Region for the employee flex benefit account as an agent for individuals.

C. <u>Measurement Focus and Basis of Accounting</u>

The government-wide, propriety and fiduciary fund 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, County Social Services considers revenues to be available if they are collected by County Social Services or a member county within 90 days after year end.

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

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

Under the terms of grant agreements, County Social Services funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is County Social Services' 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, County Social Services' policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Region's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, 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 County Social Services funds are pooled and invested. Interest earned on investments is recorded either by County Social Services' or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates 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 recorded 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2021.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets are accounted for at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below). Depreciation/amortization 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 two years.

Asset Class	Amount
Equipment and vehicles	$ 5,000
Right-to-use leased assets	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Equipment and vehicles	2 - 20
Right-to-use leased assets	2 - 20

Leases – Region as the Lessee – The Region is the lessee for a noncancellable lease of office space. The Region has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Region recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Region initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Region determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

> The Region uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Region generally uses its estimated incremental borrowing rate as the discount rate for leases.
>
> The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the Region is reasonably certain to exercise.

The Region monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense.

Due to Other Governments – Due to other governments represents payments for services which will be remitted to other governments.

Compensated Absences – Region employees accumulate a limited amount of earned but unused paid time off for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2022. The compensated absences liability attributable to the governmental activities will be paid by the Special Revenue, Mental Health Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the Special Revenue, Mental Health.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

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

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the Region.

(2) Cash and Investments

County Social Services' 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.

County Social Services 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 County Social Services; 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.

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

(3) Loan Receivable

During January 2020, County Social Services approved a loan for up to $185,000 to North Iowa Juvenile Detention Services Commission (NIJDS) to help maintain cash flows due to the slow reimbursement of expenses from Managed Care Organizations (MCO's) to NIJDS. The actual advance was for $87,791, made on April 21, 2020. The terms of the advance required NIJDS to reimburse County Social Services as the MCO's paid NIJDS. No interest was to be charged. NIJDS repaid $5,383 toward the loan on October 6, 2021. As of June 30, 2022, $21,636 remained on the loan receivable.

(4) Capital Assets

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

	Restated, Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated/amortized:				
Equipment and vehicles	$ 19,900	-	-	19,900
Right-to-use leased assets	8,303	-	-	8,303
Total capital assets being depreciated/amortized	28,203	-	-	28,203
Less accumulated depreciation/amortization for:				
Equipment and vehicles	3,980	3,980	-	7,960
Right-to-use leased assets	-	2,372	-	2,372
Total accumulated depreciation/amortization	3,980	6,352	-	10,332
Total capital assets being depreciated/amortized, net	15,920	(6,352)	-	17,871
Governmental activities capital assets, net	$ 15,920	(6,352)	-	17,871

Governmental activities:	
Mental health	$ 6,352

(5) Long-Term Liabilities

	Lease Agreements	Compensated Absences	Net Pension Liability	Total
Balance beginning of year, restated	$ 8,303	103,592	1,026,284	1,138,179
Increases	-	124,072	-	124,072
Decreases	2,374	121,966	984,701	1,109,041
Balance end of year	$ 5,929	105,698	41,583	153,210
Due within one year	$ 2,310	78,971	-	81,281

Lease Agreements

On December 21, 2020, the Region entered into a lease agreement for a Winneshiek County office. An initial lease liability was recorded in the amount of $8,303. The agreement requires semiannual payments of $1,249 over four years with an initial payment made January 1, 2021 with an implicit interest rate of 3.5% and final payment due July 1, 2024. During the year ended June 30, 2022, principal and interest paid were $2,374 and $124, respectively.

Future principal and interest lease payments as of June 30, 2022 are as follows:

Year Ending June 30,	Winneshiek Office Principal	Interest	Total
2023	$ 2,310	187	2,498
2024	2,392	106	2,498
2025	1,227	21	1,249
Totals	$ 5,929	314	6,244

(6) Pension Plan

Prior to January 1, 2020, in accordance with statements of understanding between County Social Services' Regional Governance Board and each member county Board of Supervisors, the Coordinators of Disability Services and all support staff of County Social Services remained employees of the respective individual member counties. Beginning January 1, 2020, personnel providing services on behalf of County Social Services became employees of the Region.

Plan Description – IPERS membership is mandatory for employees of the Region, except for those covered by another retirement system. Employees of the Region are provided with pensions through a cost-sharing multiple employer-defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Region contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Region's contributions to IPERS for the year ended June 30, 2022 totaled $135,734.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Region reported a net pension liability of $41,583 for its proportionate share of the collective net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Region's proportion of the net pension asset was based on the Region's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the Region's proportion was (0.012045%), which was a decrease of 0.026655 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Region recognized pension expense of $195,006. At June 30, 2022, the Region reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	31,639	31,767
Changes of assumptions		27,199	-
Net difference between projected and actual earnings on IPERS' investments		-	1,506,617
Changes in proportion and differences between Region contributions and the Region's proportionate share of contributions		1,343,057	-
Region contributions subsequent to the measurement date		135,734	-
Total	$	1,537,629	1,538,384

$135,734 reported as deferred outflows of resources related to pensions resulting from Region contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		Amount
2023	$	(26,100)
2024		(28,198)
2025		(1,068)
2026		(151,196)
2027		70,073
Total	$	(136,489)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Region's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate – The following presents the Region's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Region's proportionate share of the net pension asset would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Region's proportionate share of the net pension liability (asset)	$ 1,471,755	41,583	(1,156,993)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required Region contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Region to IPERS by June 30, 2022.

(7) Risk Management

County Social Services 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 Board 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.

County Social Services' property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. County Social Services' contributions to the Pool for the year ended June 30, 2022 were $29,100.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, 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 County Social Services' 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 County Social Services' 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 County Social Services' 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.

County Social Services 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 reasonable estimated. Accordingly, at June 30, 2022, no liability has been recorded in County Social Services' 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.

(8) Employee Health Insurance Plan

County Social Services has established an employee benefit plan which is fully insured through Wellmark Blue Cross Blue Shield. In addition, County Social Services provides an additional benefit to members by self-funding a "buy-down" arrangement to reduce the actual deductible/out-of-pocket costs incurred by eligible employees.

Beginning January 1, 2020, the Internal Service, Employee Group Health Fund was established to account for the self-funding arrangement. The plan is funded by both employee and County Social Services' and is administered through a service agreement with Auxiant.

Auxiant is responsible for calculating the "buy-down" benefit amount based on information provided by Wellmark Blue Cross Blue Shield, requesting the funds and making payments to the appropriate recipients.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. County Social Services' contribution to the fund for the year ended June 30, 2022 was $417,230.

(9) Other Post-Employment Benefits (OPEB)

Prior to January 1, 2020, in accordance with statements of understanding between County Social Services' Regional Governance Board and each member county Board of Supervisors, County Social Services' Chief Executive Office, the Coordinators of Disability Services and all support staff of County Social Services remained employees of the respective individual member counties. The applicable portion of the employee's wages and benefits were reimbursed to the individual member county by County Social Services.

Beginning January 1, 2020, Coordinators of Disability Services and all support staff of County Social Services became employees of County Social Services. As of June 30, 2022, the information to determine the total OPEB liability the related deferred outflow of resources and deferred inflow of resources was not available.

(10) Special Item

On July 1, 2021, Cerro Gordo, Emmet, Hancock, Humboldt, Pocahontas, Webster, and Wright Counties exited the County Social Services Mental Health Region to join the Care Connections of Northwest Iowa Mental Health Region. The distribution of the Counties' fund balances to the Care Connections of Northwest Iowa Mental Health Region meets the Governmental Accounting Standards Board criteria of a special item as it is both within the control of management and infrequent in occurrence. Accordingly, the $1,079,191 distribution is reported on both Exhibits B and E as a "Special Item".

(11) Change in Funding

The Governor signed Senate File 619 on June 16, 2021, which significantly changed funding for County Social Services beginning 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 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. The member counties submitted all remaining fund balances in the County Mental Health funds to the Region as of June 30, 2022.

(12) Accounting Change

Governmental Accounting Standards Board Statement No. 87, Leases, was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Capital Assets	Long-term Liability Lease Agreements
Balances June 30, 2021, as previosuly reports	$ 19,900	-
Change to implement GASB No. 87	8,303	8,303
Balances July 1, 2021, as restated	$ 28,203	8,303

County Social Services

Required Supplementary Information

County Social Services

Schedule of Region's Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System
For the Last Two Years Ended June 30, 2022
(In Thousands)

Required Supplementary Information

	2022		2021
Region's proportion of the net pension liability/asset	0.012045%	**	0.014610%
Region's proportionate share of the net pension liability (asset)	$ (42)		1,026
Region's covered payroll	$ 2,242		1,159
Region's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.87%		88.52%
IPERS' net position as a percentage of the total pension liability	100.81%		82.90%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

** Overall net pension asset.

Note: GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Region will present information for those years for which information is available.

See accompanying independent auditor's report.

County Social Services

Schedule of Region's Contributions

Iowa Public Employees' Retirement System
For the Last Two Years
(In Thousands)

Required Supplementary Information

		2022	2021	2020
Statutorily required contribution	$	136	227	109
Contributions in relation to the statutorily required contribution		(136)	(227)	(109)
Contribution deficiency (excess)	$	-	-	-
Region's covered payroll	$	1,443	2,422	1,159
Contributions as a percentage of covered payroll		9.42%	9.37%	9.40%

Note: GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Region will present information for those years for which information is available.

See accompanying independent auditor's report.

County Social Services

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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 County Social Services:

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 County Social Services as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise County Social Services' basic financial statements, and have issued our report thereon dated February 16, 2024. 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 other postemployment benefits. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Allamakee, Black Hawk, Chickasaw, Clayton, Fayette, Floyd, Howard, Mitchell, Tama and Winneshiek Counties, as described in our report on County Social Services' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County Social Services' internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 County Social Services' internal control. Accordingly, we do not express an opinion on the effectiveness of County Social Services' 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 that 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Social Services' 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.

County Social Services' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County Social Services' responses to the findings identified in our audit and described in the accompanying Schedule of Findings. County Social Services' 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 County Social Services 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

February 16, 2024

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

2022-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Region's financial statements.

Condition – Generally, one or two individuals have control over the following areas:

(1) Generally, one individual may have control over collecting, depositing and recording receipts for which no compensating control exists.

(2) Mail is not opened by someone who does not have access to the accounting system.

(3) Approval and review for journal entries are not performed by an independent person.

Cause – The Region has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Region's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Management should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The mail will be opened by the Office Specialist. The incoming checks will be documented on a spreadsheet/journal entry by the Office Specialist. The CEO will deposit the checks and match the incoming checks recorded by the Office Specialist. The spreadsheet/journal entries for the previous month will be included in the Board packet. A Board member, the Secretary/Treasurer, will sign and date it has been reviewed. If the Secretary/Treasurer is not present, the Board Chair will review, sign and date. It will be saved in SharePoint.

Conclusion – Response accepted.

2022-002 Financial Reporting

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 – A material amount of receivables were not properly recorded in the Region's financial statements.

Cause – The Region's procedures have not been established to ensure all receivables are properly accounted for and recorded in the financial statements.

Effect – Lack of procedures resulted in Region's employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Region should establish procedures to ensure all receivables, payables and capital asset additions and deletions are identified and properly recorded in the County's financial statements.

Response – We will review our procedures on accrual period transactions and ensure that all relevant staff are aware of those requirements.

Conclusion – Response accepted.

2022-003 Bank Reconciliation Review

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Conditions – There was no evidence of independent review of bank reconciliations.

Cause – Procedures have not been designed and implemented to ensure documentation of the review of the bank reconciliation process.

Effect – Unresolved variances between bank and book balances can result in undetected errors and opportunity for misappropriation. Lack of policies and procedures resulted in Region employees not detecting the errors noted above in the normal course of performing their assigned functions.

Recommendation – The offices should prepare bank reconciliations and have an independent person review the reconciliations for propriety. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The monthly bank reconciliation will be included in the CSS Board packet. A Board member, the Secretary/Treasurer, will sign and date it has been reviewed. If the Secretary/Treasurer is not present, the Board Chair will review, sign and date. It will be saved in SharePoint.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

2022-A Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not. However, actual fiscal year 2022 salaries were not published in accordance with the Code of Iowa Chapter 28E.6.

Recommendation – The Region should publish actual salaries as required.

Response – CSS will publish salaries annually.

Conclusion – Response accepted.

2022-B Travel Expense – No expenditures of CSS Mental Health Region money for travel expenses of spouses of officials or employees were noted.

2022-C Deposits and Investments – A resolution naming official depositories and the maximum deposit amount for each approved bank as required by Chapter 12C.2 of the Code of Iowa could not be located.

Recommendation – The Regional Governance Board should approve a resolution naming official depositories and the maximum deposit amount for each depository as required by Chapter 12C.2 of the Code of Iowa.

Response – We have approved a depository resolution to be in compliance with the Code of Iowa.

Conclusion – Response accepted.

2022-D Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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.

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy
Cole L. Hocker, CPA, Manager
Jared M. Ernst, CPA, Staff Auditor
Austin C. Gohlmann, Assistant Auditor