



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

March 26, 2024

Auditor of State Rob Sand today released an audit report on Care Connections of Northern Iowa for the year ended June 30, 2022.

FINANCIAL HIGHLIGHTS:

Care Connections of Northern Iowa's revenues totaled \$2,147,982 for the year ended June 30, 2022, a 28.0% decrease from the prior year. Expenses for the year ended June 30, 2022 totaled \$3,190,656, a 76.3% increase over the prior year. The significant decrease in revenues is primarily due to a reduction in property tax revenues as a result of Senate File 619 which significantly changed the funding for state mental health regions. The significant increase in expenses is due primarily to the region awarding community impact grants totaling \$1.1 million to twenty-three agencies throughout the region during the current fiscal year. Community impact grants are designed to build and enhance current services, as well as enhance the sustainability of services within the region.

AUDIT FINDINGS:

Sand reported no findings pertaining to the Care Connections of Northern Iowa.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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**CARE CONNECTIONS OF NORTHERN IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS**

JUNE 30, 2022

Care Connections of Northern Iowa



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STATE OF IOWA

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

Rob Sand
Auditor of State

March 4, 2024

Officials of the Care Connections of Northern Iowa
Spencer, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Care Connections of Northern Iowa 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 Care Connections of Northern Iowa throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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Care Connections of Northern Iowa

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Barry Anderson	Board Chair	Clay County
Jayson Vande Hoef	Vice Chair	Osceola County
Craig Merrill	Secretary	Palo Alto County
Donnie Loss	Board Member	Kossuth County
Bill Jensvold	Board Member	Winnebago County
A.J. Stone	Board Member	Worth County
Nancy Ketchum	Non-Voting Ex-Officio Board Member	
Rebecca McCrackin	Non-Voting Ex-Officio Board Member	
Scott Witte	Non-Voting Ex-Officio Board Member	
Lorrie Young	Non-Voting Ex-Officio Board Member	
Melissa Loehr	Chief Executive Officer	



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Independent Auditor's Report

To the Regional Governance Board of Care Connections of Northern Iowa:

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 Care Connections of Northern Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the Care Connections of Northern Iowa'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 present fairly the financial position of the governmental activities of the Care Connections of Northern Iowa, 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 Care Connections of Northern Iowa, 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.

We did not audit the Special Revenue, Mental Health Funds of Clay County, Kossuth County, Osceola County, Winnebago County and Worth County, which represent the following:

<u>Member County</u>	<u>Share of Revenues</u>
Clay County	9.14%
Kossuth County	14.77
Osceola County	3.43
Winnebago County	10.36
Worth County	7.30

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 Clay County, Kossuth County, Osceola County, Winnebago County and Worth County, 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 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 Care Connections of Northern Iowa and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. 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.

In addition, as discussed in Note 3, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. Accordingly, 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 deferred outflows of resources, liabilities, 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 Care Connections of Northern Iowa'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 Care Connections of Northern Iowa'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 Care Connections of Northern Iowa'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 March 4, 2024 on our consideration of Care Connections of Northern Iowa'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 County'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 Care Connection of Northern Iowa's internal control over financial reporting and compliance.



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

March 4, 2024

Care Connections of Northern Iowa

Basic Financial Statements

Care Connections of Northern Iowa

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,548,639
Receivables:	
Accounts	7,845
Accrued interest	<u>764</u>
Total assets	<u>2,557,248</u>
Liabilities	
Accounts payable	94,917
Due to other governments	<u>7,877</u>
Total liabilities	<u>102,794</u>
Net Position	
Restricted for mental health purposes	<u>\$ 2,454,454</u>

See notes to financial statements.

Care Connections of Northern Iowa

Statement of Activities

Year ended June 30, 2022

	<u>Program Revenues</u>		
<u>Expenses</u>	Charges for Service	Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Mental health	\$ 3,190,656	62,360	1,029,193
			<u>(2,099,103)</u>
General Revenues:			
Property and other county tax levied for mental health purposes			1,002,242
State tax credits			<u>54,187</u>
Total general revenues			<u>1,056,429</u>
Change in net position			(1,042,674)
Net position beginning of year			<u>3,497,128</u>
Net position end of year			<u>\$ 2,454,454</u>

See notes to financial statements.

Care Connections of Northern Iowa

Care Connections of Northern Iowa

Balance Sheet

June 30, 2022

	<u>Fiscal Agent</u>
Assets	
Cash and pooled investments	\$ 2,548,639
Receivables:	
Accounts	7,845
Accrued interest	<u>764</u>
Total assets	<u>\$ 2,557,248</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 94,917
Due to other governments	<u>7,877</u>
Total liabilities	<u>102,794</u>
Fund balance:	
Restricted for mental health purposes	<u>2,454,454</u>
Total liabilities and fund balance	<u>\$ 2,557,248</u>

See notes to financial statements.

Care Connections of Northern Iowa
Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2022

	Special Revenue,			
	Fiscal Agent	Clay County	Kossuth County	Osceola County
Revenues:				
Property and other county tax	\$ -	182,130	296,631	68,578
Intergovernmental revenues:				
State Regional Service Payments	1,005,651	-	-	-
State tax credits	-	-	20,645	3,816
Payments from member counties	2,014,372	-	-	-
Other	-	14,363	257	1,456
Total intergovernmental revenues	3,020,023	14,363	20,902	5,272
Charges for service	53,646	-	-	-
Use of money and property	6,351	-	-	-
Miscellaneous	8,714	-	-	-
Total revenues	3,088,734	196,493	317,533	73,850
Expenditures:				
Services to persons with:				
Mental illness	2,507,716	-	86,306	-
Intellectual disability	82,468	-	-	-
Total direct services	2,590,184	-	86,306	-
General administration:				
Direct administration	108,965	196,042	-	-
Distribution to MHDS regional fiscal agent	-	173,846	573,310	92,634
Total general administration	108,965	369,888	573,310	92,634
Total mental health, intellectual disabilities and developmental disabilities expenditures	2,699,149	369,888	659,616	92,634
Net change in fund balances	389,585	(173,395)	(342,083)	(18,784)
Fund balances beginning of year	2,064,869	173,395	342,083	18,784
Fund balances end of year	\$ 2,454,454	-	-	-

See notes to financial statements.

Mental Health Funds				
Palo Alto County	Winnebago County	Worth County	Reclassification/ Elimination Entries	Region Total
101,775	206,968	148,675	-	1,004,757
-	-	-	-	1,005,651
6,588	14,788	8,350	-	54,187
-	-	-	(2,014,372)	-
23	1,092	-	-	17,191
6,611	15,880	8,350	(2,014,372)	1,077,029
-	-	-	-	53,646
-	-	-	-	6,351
-	-	-	-	8,714
108,386	222,848	157,025	(2,014,372)	2,150,497
135,113	74,371	-	-	2,803,506
-	-	-	-	82,468
135,113	74,371	-	-	2,885,974
-	-	-	(325)	304,682
359,449	447,184	367,624	(2,014,047)	-
359,449	447,184	367,624	(2,014,372)	304,682
494,562	521,555	367,624	(2,014,372)	3,190,656
(386,176)	(298,707)	(210,599)	-	(1,040,159)
386,176	298,707	210,599	-	3,494,613
-	-	-	-	2,454,454

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

Change in fund balances (1,040,159)

Amounts reported in the Statement of Activities are different because some revenues will not be collected for several months after year end and, therefore, are not considered available revenues in the governmental funds. (2,515)

Change in net position of governmental activities \$ (1,042,674)

Care Connections of Northern Iowa

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

Care Connections of Northern Iowa, formerly known as Northwest Iowa Care Connections, is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Care Connections of Northern Iowa includes the following member counties: Clay, Kossuth, Osceola, Palo Alto, Winnebago and Worth. The member counties entered into this 28E agreement on May 27, 2020 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.

Care Connections of Northern Iowa Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designee, from each member county. The Regional Governance Board also includes four individuals who serve in a nonvoting ex officio capacity which include one individual representing either a user of mental health and disability services or is an actively involved relative of such an individual and three individuals representing service providers in the Region.

Care Connections of Northern Iowa designated Palo Alto County as the fiscal agent to account for all its funds as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, Care Connections of Northern Iowa'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 Care Connections of Northern Iowa are intended to present the financial position and the changes in financial position of Care Connections of Northern Iowa, which includes funds held by Care Connections of Northern Iowa'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. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, Care Connections of Northern Iowa has included all funds, organizations, agencies, commissions and authorities. Care Connections of Northern Iowa 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 Care Connections of Northern Iowa are such that exclusion would cause Care Connections of Northern Iowa's financial statement 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 Care Connections of Northern Iowa 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 Care Connections of Northern Iowa. Care Connections of Northern Iowa 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 Care Connections of Northern Iowa.

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

Care Connections of Northern Iowa reports the following major governmental funds:

Special Revenue:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, Care Connections of Northern Iowa considers revenues to be available if they are collected by Care Connections of Northern Iowa 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 Care Connections of Northern Iowa 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, Care Connections of Northern Iowa 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 Care Connections of Northern Iowa'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, Care Connections of Northern Iowa's policy is to pay the expenditure from restricted fund balance and then from less-restrictive unassigned fund balances.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most Care Connections of Northern Iowa funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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.

(2) Cash and Pooled Investments

Care Connections of Northern Iowa'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.

Care Connections of Northern Iowa 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 Care Connections of Northern Iowa, 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.

Care Connections of Northern Iowa 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 Care Connections of Northern Iowa's Regional Governance Board and each individual member county Board of Supervisors, Care Connections of Northern Iowa's Chief Executive Officer, the Coordinators of Disability Services and all support staff of Care Connections of Northern Iowa remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county by Care Connections of Northern Iowa.

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

(4) Risk Management

The Care Connections of Northern Iowa 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 Care Connections of Northern Iowa'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 Care Connections of Northern Iowa's contributions to the Pool for the year ended June 30, 2022 were \$7,183.

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 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 Care Connections of Northern Iowa 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) Change in Mental Health Funding

The Governor signed Senate File 619 on June 16, 2021 which significantly changed the funding for the Care Connections of Northern Iowa starting July 1, 2021. During fiscal year 2022, the Region continued to receive property tax (a maximum of \$21.14 per capita) and some state funding. Beginning in fiscal year 2023, the Region will no longer receive property tax levy funds from the member counties. All funding will, instead, come entirely from state appropriations. The member counties submitted all remaining fund balances in the County Mental Health funds to the Care Connections of Northern Iowa as of June 30, 2022.

Care Connections of Northern Iowa



**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 Care Connections of Northern Iowa:

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 Care Connections of Northern Iowa as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise Care Connections of Northern Iowa's basic financial statements, and have issued our report thereon dated March 4, 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 compensated absences, pension related activity and other postemployment benefits. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Clay County, Kossuth County, Osceola County, Winnebago County and Worth County, as described in our report on Care Connections of Northern Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Care Connections of Northern Iowa's 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 Care Connections of Northern Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Care Connections of Northern Iowa's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether Care Connections of Northern Iowa'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.

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.

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 Care Connections of Northern Iowa 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

March 4, 2024

Care Connections of Northern Iowa

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Care Connections of Northern Iowa

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

- 2022-A Minutes – No transactions were found that we believe should have been approved in the Care Connections of Northern Iowa’s minutes but were not.
- 2022-B Travel Expense – No expenditures of Care Connections of Northern Iowa’s money for travel expenses of spouses of Care Connections of Northern Iowa 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 Care Connections of Northern Iowa’s investment policy were noted.
- 2022-D Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the 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.

Care Connections of Northern Iowa

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy
Suzanne R. Dahlstrom, CPA, Manager
Maria R. Collins, Staff Auditor
Matthew W. Beerman, Staff Auditor