OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE October 23, 2024

Auditor of State Rob Sand today released an audit report on County Social Services for the year ended June 30, 2023.

FINANCIAL HIGHLIGHTS:

The County Social Services' revenues totaled $9,666,946 for the year ended June 30, 2023, a 14.2% decrease from the prior year. Expenses for the year ended June 30, 2023 totaled $10,330,299, a 27.6% decrease from the prior year. The significant decrease in revenues and expenses is due primarily to their remaining member counties officially leaving the region before the fiscal year began.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and expenditure of taxpayer funds. They can be found on pages 50 through 53 of this report. The findings address issues such as a lack of segregation of duties, material amounts of receivables and capital assets that 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.

Three of the findings discussed above which relate to the County Social Services are repeated from the prior year. 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

JUNE 30, 2023

County Social Services

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

August 27, 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, 2023. 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
Jackob Hackman	Chair	Chickasaw County Board of Supervisors
Greg Barnett	Vice Chair	Butler County Board of Supervisors
Pat Murray	Secretary/Treasurer	Howard County Board of Supervisors
Dennis Keatly	Board Member	Allamakee County Board of Supervisors
Tavis Hall	Board Member	Black Hawk County Board of Supervisors
Doug Reimer	Board Member	Clayton County Board of Supervisors
Janelle Bradley	Board Member	Fayette County Board of Supervisors
Mark Kuhn	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
Bill Faircloth	Board Member	Tama County Board of Supervisors
Mark Faldet	Board Member	Winneshiek County Board of Supervisors
Bruce Grant	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	
Mary McKinnell	Chief Executive Officer	
Karen Dowell	Chief Operating Officer	
Lisa Trainer	Finance Manager	
Raina Kellogg	Quality Improvement Coordinator	

County Social Services

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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

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of County Social Services (Region), as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the County Social Services' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of County Social Services, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, County Social Services adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

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 judgment 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 judgment 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 judgment, 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-related matters that we identified during the audit.

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 August 27, 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 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.

Brian R. Brustkern, CPA
Deputy Auditor of State

August 27, 2024

County Social Services

Basic Financial Statements

County Social Services

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Cash and pooled investments	$ 9,661,387
Due from other governments	38,238
Loan receivable	14,954
Capital assets, net of accumulated depreciation	77,810
Total assets	9,792,389
Deferred Outflows of Resources	
Pension related deferred outflows	1,185,930
Liabilities	
Accounts payable	838,188
Salaries and benefits payable	44,573
Due to other governments	670,829
Long term liabilities:	
Portion due or payable within one year:	
Lease agreements	10,980
IT subscription liability	22,931
Compensated absences	73,950
Portion due or payable after one year:	
Lease agreements	28,869
IT subscription liability	4,019
Compensated absences	24,582
Net pension liability	674,501
Total OPEB liability	133,402
Total liabilities	2,526,824
Deferred Inflows of Resources	
Pension related deferred inflows	611,282
Net Position	
Net investment in capital assets	11,011
Restricted for mental health purposes	7,829,202
Total net position	$ 7,840,213

See notes to financial statements.

County Social Services

Statement of Activities

Year ended June 30, 2023

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:				
Governmental activities:				
Mental health	$ 10,330,299	56,751	9,610,195	(663,353)
Change in net position				(663,353)
Net position beginning of year, as restated				8,503,566
Net position end of year				$ 7,840,213

See notes to financial statements.

County Social Services

Balance Sheet

June 30, 2023

	General Fund
Assets	
Cash and pooled investments	$ 9,470,578
Due from other governments	29,359
Loan receivable	14,954
Total assets	$ 9,514,891
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	837,740
Salaries and benefits payable	44,573
Due to other governments	670,829
Total liabilities	1,553,142
Fund balances:	
Restricted for mental health purposes	7,961,749
Total liabilities and fund balances	$ 9,514,891

See notes to financial statements.

County Social Services

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

June 30, 2023

Total governmental funds (page 12)		$ 7,961,749
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 $382,344 and the accumulated depreciation/amortization is $304,534.		77,810
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	$ 1,185,930	
Deferred inflows of resources	(611,282)	574,648
Long-term liabilities, including lease agreements, compensated absences payable, net pension liability, total OPEB liability and IT subscription liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(973,234)
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.		199,240
Net position of governmental activities (page 10)		$ 7,840,213

See notes to financial statements.

County Social Services

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2023

	General Fund
Revenues:	
Intergovernmental revenues:	
Payments from member counties	$ 8,029
Medicaid	131,283
State regional service payments	8,991,175
Other	6,443
Total intergovernmental revenues	9,136,930
Use of money and property	412,964
Miscellaneous	60,301
Total revenues	9,610,195
Expenditures:	
Services to persons with:	
Mental illness	7,362,898
Intellectual disabilities	909,560
Other developmental disabilities	342,976
Brain injury	63,815
Total direct services to consumers	8,679,249
General administration:	
Direct administration	1,056,528
Purchased administration	209,643
Reimbursements to counties for wages and benefits	243,211
Total general administration	1,509,382
Case management	114,957
Total mental health, intellectual disabilities and developmental disabilities expenditures	10,303,588
Other financing sources (Uses)	
Lease agreements	44,653
Net change in fund balances	(648,740)
Fund balances beginning of year	8,610,489
Fund balances end of year	$ 7,961,749

See notes to financial statements.

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, 2023

Change in fund balances - Total governmental funds (page 14)		$ (648,740)
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. Capital Outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:		
Right-to-use leased capital assets	$ 44,653	
Depreciation/amortization expense	(35,292)	9,361
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 issuances exceeded repayments, as follows:		
Issued	(44,653)	
Repaid	34,361	(10,292)
The current year Region IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		152,016
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	7,166	
OPEB expense	(6,284)	
Pension expense	(209,531)	(208,649)
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 net position of the Internal Service Fund is reported with governmental activities in the Statement of Net Position.		42,951
Change in net position of governmental activities (page 11)		$ (663,353)

See notes to financial statements.

County Social Services

Statement of Net Position
Proprietary Fund

June 30, 2023

	Internal Service-Employee Group Health
Assets	
Cash	$ 190,809
Due from other governments	8,879
Total assets	199,688
Liabilities	
Accounts payable	448
Net Position	
Restricted for employee health	$ 199,240

See notes to financial statements.

County Social Services

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

Year ended June 30, 2023

		Internal Service-Employee Group Health
Operating revenues:		
Employer contributions		$ 440,428
Employee contributions		56,751
Total operating revenues		497,179
Operating expenses:		
Medical claims	$ 54,074	
Insurance premiums	400,154	454,228
Operating income		42,951
Net position beginning of year		156,289
Net position end of year		$ 199,240

See notes to financial statements.

County Social Services

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2023

		Internal Service-Employee Group Health
Cash flows from operating activities:		
Cash received from operating fund reimbursements	$	447,458
Cash received from employees		57,742
Cash paid to suppliers for services		(453,821)
Net cash provided by operating activities		51,379
Cash and cash equivalents beginning of year		139,430
Cash and cash equivalents end of year	$	190,809
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	42,951
Adjustment to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Due from other governments		8,021
Accounts payable		407
Net cash provided by operating activities	$	51,379

See notes to financial statements.

County Social Services

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2023

	Custodial Fund
Assets:	
Cash	$ 34,714
Due from other governments	234
Total assets	34,948
Liabilities:	
None	-
Net Position:	
Restricted for individuals	$ 34,948

See notes to financial statements.

County Social Services

County Social Services

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

June 30, 2023

		Custodial Fund
Additions:		
Employee contributions	$	12,792
Deductions:		
Flex benefit payments		3,488
Change in net position		9,304
Net position beginning of year		25,644
Net position end of year	$	34,948

See notes to financial statements.

(1) Summary of Significant Accounting Policies

County Social Services (Region) is a jointly governed organization formed pursuant to the provision of Chapter 28E of the Code of Iowa. County Social Services previously included member counties that have since left the region pursuant to emerging legislation. 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.

County Social Services' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, County Social Services has included all funds, organizations, agencies, boards, 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 intergovernmental revenues and other nonexchange transactions.

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

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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, 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 fund:

The General Fund is used to account for the state regional service payments and other revenues to provide services to community-based, person-centered mental health and disability services system.

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. Measurement Focus and Basis of Accounting

The government-wide, propriety fund 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. 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 within 90 days after year end.

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.

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.

The Region maintains its financial records on the cash basis. The financial statements of the Region are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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 unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates which are stated at amortized 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.

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” and “Subscription-Based Information Technology Arrangements (SBITA)” 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/amortization 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 cost 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
Right-to-use subscription 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
Right-to-use subscription 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 the payments 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.

Subscription-Based Information Technology Arrangements (SBITA) – The Region has entered into a contract that conveys control of the right to use information technology software. The Region has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. The Region recognized IT subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of the IT subscription term, the Region initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

The Region uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Region generally uses its estimated incremental borrowing rate as the discount rate.

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription 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 and contributions from the Region after the measurement date but before the end of the Region's reporting period.

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 fund 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, 2023. The compensated absences liability attributable to the governmental activities will be paid by the General 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.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Region's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid by the General Fund.

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 of 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, 2023 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 $6,682 toward the loan on July 15, 2022. As of June 30, 2023, $14,954 remained on the loan receivable.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Restated, Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated/amortized:				
Equipment and vehicles	$ 278,810	-	-	278,810
Right-to-use leased assets	8,303	44,653	-	52,956
Right-to-use subscription assets	50,578	-	-	50,578
Total capital assets being depreciated/amortized	337,691	44,653	-	382,344
Less accumulated depreciation/amortization for:				
Equipment and vehicles	266,870	3,980	-	270,850
Right-to-use leased assets	2,372	11,303	-	13,675
Right-to-use subscription assets	-	20,009		20,009
Total accumulated depreciation/amortization	269,242	35,292	-	304,534
Total capital assets being depreciated/amortized, net	68,449	9,361	-	77,810
Governmental activities capital assets, net	$ 68,449	9,361	-	77,810

Depreciation/amortization expense was charged to the following function:	
Governmental activities:	
Mental health	$ 35,292

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Lease Agreements	Subscription Agreements	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, restated	$ 5,929	50,578	105,698	41,583	127,118	330,906
Increases	44,653	-	128,250	632,918	19,320	825,141
Decreases	10,733	23,628	135,416	-	13,036	182,813
Balance end of year	$ 39,849	26,950	98,532	674,501	133,402	973,234
Due within one year	$ 10,980	22,931	73,950	-	-	107,861

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, 2023, principal and interest paid were $2,310 and $188, respectively.

On July 1, 2022, the Region entered into a lease agreement for printers. An initial subscription liability was recorded in the amount of $44,653. The agreement requires monthly payments of $810 over five years with an initial payment made July 1, 2022 with an implicit interest rate of 3.5% and final payment due June 1, 2027. During the year ended June 30, 2023, principal and interest paid were $8,423 and $1,297, respectively.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Winneshiek Office Principal	Winneshiek Office Interest	Winneshiek Office Total	Printers Principal	Printers Interest	Printers Total
2024	$ 2,392	106	2,498	8,588	1,132	9,720
2025	1,227	22	1,249	8,894	826	9,720
2026	-	-	-	9,210	510	9,720
2027	-	-	-	9,538	182	9,720
Totals	$ 3,619	128	3,747	$ 36,230	2,650	38,880

Year Ending June 30,	Totals Principal	Totals Interest	Totals Total
2024	$ 10,980	1,238	12,218
2025	10,121	848	10,969
2026	9,210	510	9,720
2027	9,538	182	9,720
Totals	$ 39,849	2,778	42,627

IT Subscription Liability

On January 1, 2020, the Region entered into an IT subscription license and services information technology agreement for financial accounting software. An initial IT subscription liability was recorded in the amount of $33,358. The agreement requires annual payments of $17,086 over 5 years with an initial payment made January 1, 2020 for $17,086, with an interest rate of 5.00% and final payment due January 1, 2024. During the year ended June 30, 2023, principal and interest paid were $17,086 and $0, respectively.

On January 27, 2022, the Region entered into an IT subscription license and services information technology agreement for payroll software. An initial IT subscription liability was recorded in the amount of $17,219. The agreement requires bi-weekly payments of $269 for the first two years and a 1% increase in the third year with an initial payment made January 27, 2022 for $269, with an interest rate of 5.00% and final payment due January 24, 2025. During the year ended June 30, 2023, principal and interest paid were $6,542 and $732, respectively.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Accounting Software Principal	Accounting Software Interest	Accounting Software Total	Payroll Software Principal	Payroll Software Interest	Payroll Software Total
2024	$ 16,272	814	17,086	$ 6,658	369	7,027
2025	-	-	-	4,019	61	4,080
Totals	$ 16,272	814	17,086	$ 10,677	430	11,107

Year Ending June 30,	Totals Principal	Totals Interest	Totals Total
2024	$ 22,930	1,183	24,113
2025	4,019	61	4,080
Totals	$ 26,949	1,244	28,193

(6) Pension Plan

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 2023, 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, 2023 totaled $152,016.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the Region reported a liability of $674,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Region's proportion of the net pension liability was based on the Region's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the Region's proportion was 0.017853%, which was an increase of 0.029898% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Region recognized pension expense of $209,531. At June 30, 2023, 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	$ 29,901	9,239
Changes of assumptions	572	16
Net difference between projected and actual earnings on IPERS' investments	-	72,203
Changes in proportion and differences between Region contributions and the Region's proportionate share of contributions	1,003,441	529,824
Region contributions subsequent to the measurement date	152,016	-
Total	$ 1,185,930	611,282

$152,016 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 liability in the year ending June 30, 2024. 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
2024	$ 154,895
2025	170,438
2026	49,072
2027	94,928
2028	(46,701)
Total	$ 422,632

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
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 Region 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 Liability to Changes in the Discount Rate – The following presents the Region's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Region's proportionate share of the net pension liability 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	$ 1,256,677	674,501	161,444

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, 2023.

(7) Other Post Employment Benefits (OPEB)

Plan Description – The Region administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by County Social Services and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Active employees	24

Total OPEB Liability – The Region's total OPEB liability of $133,402 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2023)	2.60% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, including inflation plus merit/productivity measures.
Discount rate (effective June 30, 2023)	4.13% compounded annually.
Healthcare cost trend rate (effective June 30, 2023)	8% initial rate decreasing annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, restated	$ 127,118
Changes for the year:	
Service cost	7,477
Interest	5,505
Differences between expected and actual experiences	(13,036)
Changes in assumptions	6,338
Net changes	6,284
Total OPEB liability end of year	$ 133,402

Changes of assumptions reflect a change in the discount rate from 4.09% in fiscal year 2022 to 4.13% in fiscal year 2023.

Sensitivity of the Region's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Region, as well as what the Region's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.13%) or 1% higher (5.13%) than the current discount rate.

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB liability	$ 142,409	133,402	124,837

Sensitivity of the Region's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Region, as well as what the Region's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (7%) or 1% higher (9%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	$ 119,941	133,402	148,914

OPEB Expense – For the year ended June 30, 2023, the Region recognized OPEB expense of $6,284. Under the alternative measurement method, all deferred outflows/inflows of resources related to OPEB are fully recognized immediately.

(8) Risk Management

County Social Services is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability and law enforcement 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, 2023 totaled $36,343.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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 reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in County Social Services' financial statements. As of June 30, 2023, 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.

County Social Services also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $100,000, respectively. County Social Services assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) 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, 2023 was $440,428.

(10) Subsequent Event

The Governor signed House File 2673 on May 15, 2024, which will create a new behavioral health services system statewide. All mental health and substance abuse regions will be closed and funds will be transferred to the new unified behavioral health system by July 1, 2025.

(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 2023, the Region no longer received property tax levy funds from the member counties. All funding came entirely from state appropriations. The member counties fund balances in the County Mental Health funds were closed as of June 30, 2022.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

For fiscal year 2023, the Region provided information to report in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The beginning net position for governmental activities was restated to report the beginning Total OPEB liability.

In addition, material amounts of capital assets and accumulated depreciation were not properly recorded. The result of these changes had no effect on beginning net position.

	Capital Assets	Accumulated Depreciation	Long-term Liabilities IT Subscription Liability	Long-term Liabilities Total OPEB Liability	Governmental Net Position
Balances June 30, 2022, as previously reported	$ 28,203	7,960	-	-	8,630,684
Adjustment to properly report capital assets	258,910	258,910	-	-	-
Adjustment to properly report total OPEB liability	-	-	-	127,118	(127,118)
Change to implement GASB No. 96	50,578	-	50,578	-	-
Balances July 1, 2022, as restated	$ 337,691	266,870	50,578	127,118	8,503,566

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 Three Years Ended June 30, 2023
(In Thousands)

Required Supplementary Information

		2023	2022		2021
Region's proportion of the net pension liability (asset)		0.017853%	-0.012045%	**	0.014610%
Region's proportionate share of the net pension liability	$	675	42		1,026
Region's covered payroll	$	1,443	2,242		1,159
Region's proportionate share of the net pension liability as a percentage of its covered payroll		46.78%	1.87%		88.52%
IPERS' net position as a percentage of the total pension liability		91.40%	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 Contributions

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

Required Supplementary Information

		2023	2022	2021	2020
Statutorily required contribution	$	152	136	227	109
Contributions in relation to the statutorily required contribution		(152)	(136)	(227)	(109)
Contribution deficiency (excess)	$	-	-	-	-
Region's covered payroll	$	1,610	1,443	2,422	1,159
Contributions as a percentage of covered payroll		9.44%	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 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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.

County Social Services

Schedule of Changes in the Region's
Total OPEB Liability and Related Ratios

For the Last Two Years
Required Supplementary Information

		2023	2022
Service cost	$	7,477	-
Interest cost		5,505	-
Difference between expected and actual experiences		(13,036)	-
Changes in assumptions		6,338	-
Benefit payments		-	-
Net change in total OPEB liability		6,284	-
Total OPEB liability beginning of year		127,118	N/A
Total OPEB liability end of year	$	133,402	127,118
Covered-employee payroll	$	1,625,869	1,392,804
Total OPEB liability as a percentage of covered-employee payroll		8.20%	9.13%

See accompanying independent auditor's report.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2023 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2023:

- Changed mortality assumptions to the SOA Public Plan 2010 tables.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2023	4.13%
Year ended June 30, 2022	4.09%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

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, the major fund and aggregate remaining fund information of County Social Services as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise County Social Services' basic financial statements, and have issued our report thereon dated August 27, 2024.

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 2023-001 through 2023-004 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.

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.

Brian R. Brustkern, CPA
Deputy Auditor of State

August 27, 2024

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

2023-001 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 – These conditions were corrected in FY2024. The Office Specialist opens mail, documents incoming checks and distributes to CEO to deposit check. Finance Manager records deposits into accounting software. Journal entries are reviewed and approved by someone who is not responsible for making the entries.

Conclusion – Response accepted.

2023-002 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 and capital assets, including prior year vehicles, were not properly recorded in the Region's financial statements.

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

Response – The list of all the CSS owned vehicles is now disclosed to the auditors. CSS will continue to improve on establishing and ensuring all capital assets are properly accounted for and recorded. CSS will continue to improve on making sure revenue that is accrued is properly entered into the accounting software.

Conclusion – Response accepted.

2023-003 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 bank reconciliation conditions were corrected in FY2024. Bank reconciliation is reviewed by someone that does not enter the information into the accounting software. Bank reconciliations have not been prepared and presented in a timely manner at the end of FY2023 and throughout FY2024 as a new Finance Manager was hired and had to learn the job responsibilities. CSS has established a better internal control system moving forward.

Conclusion – Response accepted.

2023-004 Payroll

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 payroll to accounting records.

Conditions – Payroll reconciliations to the accounting records were not performed for June of 2023 and were not reimplemented until October 2023.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and balances are complete and accurate to ensure proper accounting for all funds.

Effect – A lack of payroll to accounting records reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Region should establish procedures to ensure all reconciliations are performed in a timely manner.

Response – CSS will continue to improve on entering payroll reconciliations into the accounting records on a timely basis.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

2023-A Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.

2023-B Travel Expense – No expenditures of CSS Mental Health Region money for travel expenses of spouses of officials or employees were noted.

2023-C Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.

2023-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.

2023-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:

Brian R. Brustkern, CPA, Deputy
Cole L. Hocker, CPA, Manager
Jared M. Ernst, CPA, Staff Auditor
Hunter W. Penton, Staff Auditor