



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

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

November 19, 2024

Auditor of State Rob Sand today released an audit report on the Southwest Iowa MHDS Region for the year ended June 30, 2023.

FINANCIAL HIGHLIGHTS:

Southwest Iowa MHDS Region's revenues totaled \$6,837,571 for the year ended June 30, 2023, a 2.70% decrease from the prior year. Expenses for the year ended June 30, 2023 totaled \$10,091,682, a 1.63% decrease from the prior year.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and expenditure of taxpayer funds. It is found on page 25 of this report. The finding addresses an issue regarding noncompliance with the minutes publications requirements of Chapter 28E.6 of the Code of Iowa. Sand provided the Region with a recommendation to address this finding.

The finding discussed above is repeated from the prior year. The Regional Governance Board has a fiduciary responsibility to provide oversight of the Regions' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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SOUTHWEST IOWA MHDS REGION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS

JUNE 30, 2023

Southwest Iowa MHDS Region



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

October 25, 2024

Officials of the Southwest Iowa MHDS Region
Pottawattamie County, Iowa (Fiscal Agent)

Dear Board Members:

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

Sincerely,

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

Rob Sand
Auditor of State

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Southwest Iowa MHDS Region

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Richard Crouch	Board Chair	Mills County Board of Supervisors
Steve Kenkel	Vice Chair	Shelby County Board of Supervisors
Bernard Pettinger	Board Member	Cass County Board of Supervisors
Clint Blackburn	Board Member	Fremont County Board of Supervisors
Tony Smith	Board Member	Harrison County Board of Supervisors
Tom Brouillette	Board Member	Monona County Board of Supervisors
Mark Peterson	Board Member	Montgomery County Board of Supervisors
Judy Clark	Board Member	Page County Board of Supervisors
Tim Wichman	Board Member	Pottawattamie County Board of Supervisors
Kathy Hanafan	Board Member	Education Provider
Berneeta Wagoner	Board Member	Adult Family Member
Allison Leach	Board Member	Parent of a Child Member
Scott Halverson	Non-Voting Ex-Officio Board Member	Children's Provider
Mary O'Neill	Non-Voting Ex-Officio Board Member	Adult Provider
Suzanne Watson	Chief Executive Officer	

Southwest Iowa MHDS Region



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Independent Auditor's Report

To the Regional Governance Board of Southwest Iowa MHDS Region:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwest Iowa MHDS Region, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the Southwest Iowa MHDS Region's 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 and each major fund of the Southwest Iowa MHDS Region, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

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 Southwest Iowa MHDS Region's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 Southwest Iowa MHDS Region's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Iowa MHDS Region's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis which GAAS 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 October 25, 2024 on our consideration of Southwest Iowa MHDS Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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 Southwest Iowa MHDS Region's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

October 25, 2024

Southwest Iowa MHDS Region

Basic Financial Statements

Southwest Iowa MHDS Region

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,869,769
Receivables:	
Accounts	13,509
Due from other governments	708
Prepaid expenditures	177,445
Capital assets, net of accumulated depreciation	<u>213,930</u>
Total assets	<u>2,275,361</u>
Liabilities	
Accounts payable	375,504
Due to other governments	44,668
Long term liabilities	
Portion due or payable within one year:	
Lease agreements	50,369
Portion due or payable after one year	
Lease agreements	<u>160,354</u>
Total liabilities	<u>630,895</u>
Net Position	
Net investment in capital assets	3,207
Restricted for mental health purposes	<u>1,641,259</u>
Total net position	<u>\$ 1,644,466</u>

See notes to financial statements.

Southwest Iowa MHDS Region

Statement of Activities

Year ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants, Contributions and Restricted Interest	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Mental health	\$ 10,091,682	6,761,368	(3,330,314)
General Revenues:			
Miscellaneous			76,203
Total general revenues			76,203
Change in net position			(3,254,111)
Net position beginning of year			4,898,577
Net position end of year			<u>\$ 1,644,466</u>

See notes to financial statements.

Exhibit C

Southwest Iowa MHDS Region

Balance Sheet

June 30, 2023

	<u>Mental Health Region</u>
Assets	
Cash and pooled investments	\$ 1,869,769
Receivables:	
Accounts	13,509
Due from other governments	708
Prepaid expenditures	<u>177,445</u>
Total assets	<u>2,061,431</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 375,504
Due to other governments	<u>44,668</u>
Total liabilities	<u>420,172</u>
Fund Balances:	
Nonspendable:	
Prepaid expenditures	177,445
Restricted for:	
Mental health purposes	<u>1,463,814</u>
Total fund balances	<u>1,641,259</u>
Total liabilities and fund balances	<u>\$ 2,061,431</u>
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	
Fund Balance	\$ 1,641,259
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$267,413 and the accumulated depreciation is \$53,483.	213,930
Long-term liabilities, including lease agreements payable are not payable in the current year and, therefore, are not reported in the governmental funds.	<u>(210,723)</u>
Net position of governmental activities (page 10)	<u>\$ 1,644,466</u>

See notes to financial statements.

Southwest Iowa MHDS Region

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2023

	<u>Mental Health Region</u>
Revenues:	
Intergovernmental revenues:	
State regional service payments	\$ 6,390,469
Other	<u>63,362</u>
Total intergovernmental revenues	<u>6,453,831</u>
Use of money and property	40,124
Miscellaneous	<u>76,203</u>
Total revenues	<u>6,570,158</u>
Expenditures:	
Services to persons with:	
Mental illness	8,563,373
Intellectual disabilities	284,861
Other developmental disabilities	<u>47,287</u>
Total direct services	<u>8,895,521</u>
General administration:	
Direct administration	1,094,230
Purchased administration	<u>105,138</u>
Total general administration	<u>1,199,368</u>
Deficiency of revenues under expenditures	<u>(3,524,731)</u>
Other financing sources:	
Lease agreements	<u>267,413</u>
Net change in fund balances	(3,257,318)
Fund balances beginning of year	<u>4,898,577</u>
Fund balances end of year	<u>\$ 1,641,259</u>

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

Net change in fund balance \$ (3,257,318)

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 deprecation expense in the current year.

213,930

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 of \$267,413 exceeded repayments of \$56,690.

(210,723)

Change in net position of governmental activities (page 11)

\$ (3,254,111)

See notes to financial statements.

Southwest Iowa MHDS Region

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

Southwest Iowa MHDS Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Southwest Iowa MHDS Region includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie and Shelby. The member counties entered into this 28E Agreement to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The 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 two individuals appointed by the Adult Advisory Committee and three individuals appointed by the Children's Advisory Committee. The Adult Advisory Committee will appoint 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 Southwest Iowa MHDS Region service area, serving in a nonvoting, ex officio capacity. The Children's Advisory Committee will appoint one individual representing the education system in the region as a voting member, one individual who is a parent of a child who utilized children's behavioral health social services or an actively involved relative of such children as a voting member and one individual representing children's behavioral health services providers in the Region service area, serving in a nonvoting, ex officio capacity.

Southwest Iowa MHDS Region designated Pottawattamie County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, Southwest Iowa MHDS Region's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Southwest Iowa MHDS Region are intended to present the financial position and the changes in financial position of Southwest Iowa MHDS Region. Starting July 1, 2022, capital assets used for mental health purposes are now owned by the Southwest Iowa MHDS Region.

A. Reporting Entity

For financial reporting purposes, Southwest Iowa MHDS Region has included all funds, organizations, agencies, commissions and authorities. Southwest Iowa MHDS Region has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with Southwest Iowa MHDS Region are such that exclusion would cause Southwest Iowa MHDS Region's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Southwest Iowa MHDS Region to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Southwest Iowa MHDS Region. Southwest Iowa MHDS Region has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of Southwest Iowa MHDS Region.

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:

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. 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 in the fund financial statements.

Southwest Iowa MHDS Region 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.

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. 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, Southwest Iowa MHDS Region considers revenues to be available if they are collected by Southwest Iowa MHDS Region 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 Southwest Iowa MHDS Region.

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, Southwest Iowa MHDS Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is Southwest Iowa MHDS Region’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region’s policy is to pay the expenditure from restricted fund balance and then from less-restrictive unassigned fund balances.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balance

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

Cash and Pooled Investments – The cash balances of most Southwest Iowa MHDS Region 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 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.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the Region as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Right-to-use leased assets	\$ 10,000

Equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Right-to-use leased assets	3 - 5

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 \$10,000 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.

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:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

(2) Cash and Pooled Investments

Southwest Iowa MHDS Region’s 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.

Southwest Iowa MHDS Region is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Southwest Iowa MHDS Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Southwest Iowa MHDS Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated/amortized:				
Right to use leased buildings	\$ -	267,413	-	267,413
Less accumulated depreciation/amortization for:				
Right to use leased buildings	-	53,483	-	53,483
Total capital assets being depreciated/amortized net	-	213,930	-	213,930
Governmental activities capital assets, net	\$ -	213,930	-	213,930

Depreciation expense was charged to the following functions:

Governmental activities:	
Mental health	\$ 53,483

(4) Long-Term Liabilities

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

	<u>Lease Agreements</u>
Balance at beginning of year	\$ -
Increases	267,413
Decreases	<u>56,690</u>
Balance end of year	\$ 210,723
Due within one year	<u>\$ 50,369</u>

Lease Agreements

On July 1, 2022, the Region entered into a noncancelable lease agreement for office space in Montgomery County. An initial lease liability was recorded in the amount of \$26,416. The agreement requires annual payments per year of \$5,600 over 5 years, with an implicit interest rate of 3.0% and a final payment no later than October 31, 2026. During the year ended June 30, 2023, principal paid was \$5,600.

On July 1, 2022, the Region entered into a noncancelable lease agreement for office space in Shelby County. An initial lease liability was recorded in the amount of \$79,436. The agreement requires annual payments per year of \$16,840 over 5 years, with an implicit interest rate of 3.0% and a final payment no later than October 31, 2026. During the year ended June 30, 2023, principal paid was \$16,840.

On July 1, 2022 the Region entered into a noncancelable lease agreement for office space in Pottawattamie County. An initial lease liability was recorded in the amount of \$161,561. The agreement requires annual payments per year of \$34,250 over 5 years, with an implicit interest rate of 3.0% and a final payment no later than October 31, 2026. During the year ended June 30, 2023, principal paid was \$34,250.

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

Year Ending June 30,	Montgomery County Office Space			Shelby County Office Space		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 4,976	624	5,600	\$ 14,962	1,878	16,840
2025	5,125	475	5,600	15,411	1,429	16,840
2026	5,278	322	5,600	15,873	967	16,840
2027	5,437	163	5,600	16,350	490	16,840
Totals	<u>\$ 20,816</u>	<u>1,584</u>	<u>22,400</u>	<u>\$ 62,596</u>	<u>4,764</u>	<u>67,360</u>

Year Ending June 30,	Pottawattamie County Office Space			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 30,431	3,819	34,250	\$ 50,369	6,321	56,690
2025	31,344	2,906	34,250	51,880	4,810	56,690
2026	32,284	1,966	34,250	53,435	3,255	56,690
2027	33,252	998	34,250	55,039	1,651	56,690
Totals	<u>\$ 127,311</u>	<u>9,689</u>	<u>137,000</u>	<u>\$ 210,723</u>	<u>16,037</u>	<u>226,760</u>

(5) Risk Management

Southwest Iowa MHDS Region 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, 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 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 and 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.

Southwest Iowa MHDS Region's property and casualty contributions to the Pool are recorded as expenditures from its operating fund at the time of payment to the Pool. Southwest Iowa MHDS Region's contributions to the Pool for the year ended June 30, 2023, were \$10,503.

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 Southwest Iowa MHDS 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 Southwest Iowa MHDS 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 Southwest Iowa MHDS 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 loss was incurred.

Southwest Iowa MHDS Region does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in Southwest Iowa MHDS Region's 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.

(6) Change in Funding

The Governor signed Senate File 619 on June 16, 2021 which significantly changed the funding for the Southwest Iowa MHDS Region starting 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.

(7) Subsequent Event

The Governor signed Senate 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.



**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

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 Southwest Iowa MHDS Region:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Southwest Iowa MHDS Region as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise Southwest Iowa MHDS Region's basic financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility 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 Southwest Iowa MHDS Region's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in the accompanying Schedule of Findings.

Southwest Iowa MHDS Region's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Region's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southwest Iowa MHDS Region during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Brian R. Brustkern, CPA
Deputy Auditor of State

October 25, 2024

Southwest Iowa MHDS Region

Schedule of Findings

Year ended June 30, 2023

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Southwest Iowa MHDS Region

Schedule of Findings

Year ended June 30, 2023

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.

However, minutes of Regional Governance Board meetings were not published as required by Chapter 28E.6(3)(a) of the Code of Iowa.

Recommendation – Southwest Iowa MHDS Region should ensure the minutes are published as required.

Response – Board minutes are published on the Region’s website at swiamhds.com. We feel this is a broader reach for publicizing throughout our nine-county Region. This also provides cost savings to the Region. We will begin publishing in one of the region’s newspapers starting on June 3, 2024.

Conclusion – Response accepted.

2023-B Travel Expense – No expenditures of Southwest Iowa MHDS 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 Southwest Iowa MHDS 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.

Southwest Iowa MHDS Region

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Bryce L. Rasmussen, Staff Auditor