



**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

March 5, 2025

Auditor of State Rob Sand today released an audit report on Southern Hills Regional Mental Health for the year ended June 30, 2023.

**FINANCIAL HIGHLIGHTS:**

Southern Hills Regional Mental Health's revenues totaled \$1,109,510 for the year ended June 30, 2023, a 1.2% increase over the prior year. Expenses for the year ended June 30, 2023, totaled \$981,349, a 10.8% decrease from the prior year. The significant decrease in expenses is due primarily to a decrease in the number of people served under the mental health region.

**AUDIT FINDINGS:**

Sand reported one finding related to the receipt and expenditure of taxpayer funds. It is found on page 36 of this report. The finding addresses revenues, expenditures and ending fund balance in the Region's annual report which do not agree to the financial information reported in the Fiscal Agent's GAAP-basis annual financial report. 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 Region's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

**SOUTHERN HILLS REGIONAL MENTAL HEALTH**

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

**JUNE 30, 2023**

**Southern Hills Regional Mental Health**



**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

February 13, 2025

Officials of Southern Hills Regional Mental Health  
Union County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health 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 that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Position	A 10
Statement of Activities	B 11
Balance Sheet	C 12
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	D 13
Statement of Revenues, Expenditures and Changes in Fund Balance	E 14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund to the Statement of Activities	F 15
Notes to Financial Statements	16-28
Required Supplementary Information:	
Schedule of the Region’s Proportionate Share of the Net Pension Liability	30
Schedule of Region Contributions	31
Notes to Required Supplementary Information – Pension Liability	32
Schedule of Changes in the Region’s Total OPEB Liability, Related Ratios and Notes	33
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	34-35
Schedule of Findings	36-37
Staff	38

## **Southern Hills Regional Mental Health**

### **Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dennis Brown	Board Chair	Union County Board of Supervisors
Scott Akin	Vice Chair	Adams County Board of Supervisors
John Twombly	Board Member	Adair County Board of Supervisors
Kim Watson	Board Member	Taylor County Board of Supervisors
Clint Brown	Board Member	Crossroads Behavioral Health
Morgan Christensen (Resigned Jan 2023)	Board Member	Family Member of Adult Participant
Lori Nosekabel	Chief Executive Officer	

**Southern Hills Regional Mental Health**



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Independent Auditor's Report

To the Regional Governance Board of Southern Hills Regional Mental Health:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Southern Hills Regional Mental Health, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise Southern Hills Regional Mental Health's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Southern Hills Regional Mental Health, 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 Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health'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.

### 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.

Accounting principles generally accepted in the United States of America require the Schedule for the Region's Proportionate Share of the Net Pension Liability, the Schedule of Region Contributions and the Schedule of Changes in the Region's Total OPEB Liability, Related Ratios and Notes on pages 30 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2025 on our consideration of Southern Hills Regional Mental Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Region's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southern Hills Regional Mental Health's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

February 13, 2025

**Southern Hills Regional Mental Health**

## **Basic Financial Statements**

## Southern Hills Regional Mental Health

## Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 622,704
Prepaid expenses	<u>1,854</u>
<b>Total assets</b>	<u>624,558</u>
<b>Deferred Outflow of Resources</b>	
Pension related deferred outflows	16,446
OPEB related deferred outflows	<u>2,051</u>
<b>Total deferred outflows of resources</b>	<u>18,497</u>
<b>Liabilities</b>	
Accounts payable	79,634
Salaries payable	674
Due to other governments	9,302
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	7,984
Total OPEB liability	1,505
Portion due or payable after one year:	
Compensated absences	20,286
Net pension liability	62,910
Total OPEB liability	<u>12,389</u>
<b>Total liabilities</b>	<u>194,684</u>
<b>Deferred Inflow of Resources</b>	
Pension related deferred inflows	16,197
OPEB related deferred inflows	<u>4,517</u>
<b>Total deferred inflows of resources</b>	<u>20,714</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 427,657</u>

See notes to financial statements.

Southern Hills Regional Mental Health

Statement of Activities

Year ended June 30, 2023

	Expenses	Program Revenues Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
<b>Governmental activities:</b>			
Mental health	\$ 981,349	1,105,710	124,361
<b>General Revenues:</b>			
Miscellaneous			3,800
Total general revenues			3,800
Change in net position			128,161
Net position beginning of year			299,496
Net position end of year			\$ 427,657

See notes to financial statements.

Southern Hills Regional Mental Health

Balance Sheet

June 30, 2023

	<u>Mental Health Region</u>
<b>Assets</b>	
Cash and pooled investments	\$ 622,704
Prepaid expenses	1,854
<b>Total assets</b>	<u>\$ 624,558</u>
<b>Liabilities and Fund Balance</b>	
Liabilities:	
Accounts payable	\$ 79,634
Salaries and benefits payable	674
Due to other governments	9,302
<b>Total liabilities</b>	<u>89,610</u>
<b>Fund Balance</b>	
Restricted for mental health purposes	<u>534,948</u>
<b>Total liabilities and fund balance</b>	<u>\$ 624,558</u>

See notes to financial statements.

Southern Hills Regional Mental Health

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

Year ended June 30, 2023

**Governmental fund balance (page 12)** \$ 534,948

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Pension and OPEB 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 fund, as follows:

Deferred outflows of resources	\$ 18,497	
Deferred inflows of resources	<u>(20,714)</u>	(2,217)

Long-term liabilities, including compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental fund.

(105,074)

**Net position of governmental activities (page 10)** \$ 427,657

See notes to financial statements.



**Exhibit E**

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Southern Hills Regional Mental Health  
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	\$ 1,105,710
Miscellaneous	<u>3,800</u>
Total revenues	<u>1,109,510</u>
Expenditures:	
Services to persons with:	
Mental illness	714,625
Intellectual disabilities	<u>28,059</u>
Total direct services	742,684
General administration:	
Direct administration	<u>252,146</u>
Total mental health, intellectual disabilities and developmental disabilities expenditures	<u>994,830</u>
Net change in fund balances	114,680
Fund balances beginning of year	<u>420,268</u>
Fund balances end of year	<u>\$ 534,948</u>

See notes to financial statements.

Southern Hills Regional Mental Health

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

Year ended June 30, 2023

**Change in fund balance - Governmental fund (page 14)** \$ 114,680

***Amounts reported for governmental activities in the Statement of Activities are different because:***

The current year Region IPERS contributions are reported as expenditures in the governmental fund but are reported as deferred outflows of resources in the Statement of Net Position. 12,841

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	\$ 3,326	
OPEB reduction	91	
Pension expense	(2,777)	640

**Change in net position of governmental activities (page 11)** \$ 128,161

See notes to financial statements.

Southern Hills MHDS Region

Notes to Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies**

Southern Hills Regional Mental Health (Southern Hills) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Southern Hills includes the following member counties: Adair, Adams, Taylor and Union Counties. 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.

Southern Hills' 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 who utilize mental health and disability services or are actively involved relatives of such an individual, serving in a nonvoting, ex officio capacity.

Southern Hills designated Union County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health are intended to present the financial position and the changes in financial position of Southern Hills Regional Mental Health.

A. Reporting Entity

For financial reporting purposes, Southern Hills Regional Mental Health has included all funds, organizations, agencies, commissions and authorities. Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health are such that exclusion would cause Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health. Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health.

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

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

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

Southern Hills Regional Mental Health 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, Southern Hills Regional Mental Health considers revenues to be available if they are collected by Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health.

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 the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health’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, Deferred Outflows of Resources, 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 Southern Hills Regional Mental Health 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>
Equipment and vehicles	\$ 5,000

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

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

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 and OPEB 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 vacation and sick leave hours 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 those employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2023.

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, are recorded as expenditures.

Pension – 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 by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the fiscal agent Union County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributed 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 applicable to a future year(s) which 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 consists of unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between the 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.

**(2) Cash and Pooled Investments**

Southern Hills Regional Mental Health’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.

Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health; 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.

Southern Hills Regional Mental Health had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Long-Term Liabilities**

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

	Net Pension Liability	Total OPEB Liability	Compensated Absences	Total
Balance beginning of year	\$ 2,262	13,737	31,596	47,595
Increases	60,648	1,662	28,270	90,580
Decreases	-	1,505	31,596	33,101
Balance end of year	62,910	13,894	28,270	105,074
Due within one year	\$ -	1,505	7,984	9,489

#### **(4) 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](http://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, 2022 totaled \$12,841.

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 \$62,910 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 0.001665%, which was an increase of 0.002320% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Region recognized pension expense of \$2,777. 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	\$ 2,789	862
Changes of assumptions	53	2
Net difference between projected and actual earnings on IPERS' investments	-	6,735
Changes in proportion and differences between Region contributions and the Region's proportionate share of contributions	763	8,598
Region contributions subsequent to the measurement date	12,841	-
Total	<u>\$ 16,446</u>	<u>16,197</u>

\$12,841 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	\$ (8,350)
2025	(6,593)
2026	(9,831)
2027	12,492
2028	(310)
Total	<u>\$ (12,592)</u>

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

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 County'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	\$ 117,209	62,910	15,058

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](http://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.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – Union County, as the Fiscal Agent for the Southern Hills Regional Mental Health, 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 Southern Hills Mental Health Region 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, two active employees were covered by the benefit terms. There are two active and no inactive employees at June 30, 2023.

Total OPEB Liability – The Region's total OPEB liability of \$13,894 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 July 1, 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 July 1, 2021)	3.00% per annum.
Rates of salary increase (effective July 1, 2021)	2.50% per annum, including inflation.
Discount rate (effective July 1, 2021)	2.16% compounded annually including inflation.
Healthcare cost trend rate (effective July 1, 2021)	5.00% for all years.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16% 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 RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 13,737
Changes for the year:	
Service cost	1,352
Interest	310
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(1,505)</u>
Net changes	<u>157</u>
Total OPEB liability end of year	<u>\$ 13,894</u>

Sensitivity of the Mental Health Region’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Mental Health Region, as well as what the Mental Health Region’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.16%) or 1% higher (3.16%) than the current discount rate.

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 14,725	13,894	13,105

Sensitivity of the Mental Health Region’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Mental Health Region, as well as what the Region’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 12,619	13,894	15,405

OPEB Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB reduction of \$(91). At June 30, 2023, the Mental Health Region reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,188	4,354
Changes in assumptions	863	163
Total	\$ 2,051	4,517

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (249)
2025	(249)
2026	(249)
2027	(249)
2028	(474)
Thereafter	(996)
	<u>\$ (2,466)</u>

## **(6) Risk Management**

Southern Hills Regional Mental Health 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.

Southern Hills Regional Mental Health's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. Southern Hills Regional Mental Health's contributions to the Pool for the year ended June 30, 2023 were \$6,813.

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 Southern Hills' 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 Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health'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.

Southern Hills also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. Southern Hills assumes liability for any deductibles and claims in excess of the coverage limitation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Change in Funding**

The Governor signed Senate File 619 on June 16, 2021 which significantly changed the funding for the Southern Hills Regional Mental Health 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.

**(8) 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.

**Required Supplemental Information**



Southern Hills Regional Mental Health

Schedule of the Region's Proportionate Share of the Net Pension Liability

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

Required Supplementary Information

	2023	2022	2021	2020
Region's proportion of the net pension liability (asset)	0.001665%	(0.000655)% **	0.001620%	0.001671%
Region's proportionate share of the net pension liability	\$ 63	2	114	97
Region's covered payroll	\$ 129	124	120	116
Region's proportionate share of the net pension liability as a percentage of its covered payroll	48.84%	1.61%	95.00%	83.62%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

\* 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 plan 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.

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Southern Hills Regional Mental Health

Schedule of Region Contributions

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

Required Supplementary Information

	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 13	13	12	12	11
Contributions in relation to the statutorily required contribution	(13)	(13)	(12)	(12)	(11)
Contribution deficiency (excess)	\$ -	-	-	-	-
Region's covered payroll	\$ 133	129	124	120	116
Contributions as a percentage of covered payroll *	9.44%	9.44%	9.44%	9.44%	9.44%

\* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

**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.

Southern Hills Regional Mental Health

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

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:

- Change 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.

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Southern Hills Regional Mental Health

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

For the Last Four Years  
Required Supplementary Information

	2023	2022	2021	2021
Service cost	\$ 1,352	1,320	950	926
Interest cost	310	303	492	478
Difference between expected and actual experiences	-	(1,807)	-	(4,607)
Changes in assumptions	-	1,015	-	60
Benefit payments	(1,505)	(1,167)	(971)	(1,089)
Net change in total OPEB liability	157	(336)	471	(4,232)
Total OPEB liability beginning of year	13,737	14,073	13,602	17,834
Total OPEB liability end of year	\$ 13,894	13,737	14,073	13,602
Covered-employee payroll	\$ 133,817	128,876	123,919	120,310
Total OPEB liability as a percentage of covered-employee payroll	10.4%	10.7%	11.4%	11.3%

See accompanying independent auditor's report.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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	2.16%
Year ended June 30, 2022	2.16%
Year ended June 30, 2021	3.50%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.58%



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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 Southern Hills Regional Mental Health:

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 Southern Hills Regional Mental Health as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise Southern Hills Regional Mental Health's basic financial statements, and have issued our report thereon dated February 13, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Hills Regional Mental Health'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 Southern Hills Regional Mental Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Hills Regional Mental Health'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 that we consider to be a material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Hills Regional Mental Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Region's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Southern Hills Regional Mental Health's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on Southern Hills Regional Mental Health's response to the finding identified in our audit and described in the accompanying Schedule of Findings. Southern Hills Regional Mental Health's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 Southern Hills Regional Mental Health 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

February 13, 2025

Southern Hills Regional Mental Health

Schedule of Findings

Year ended June 30, 2023

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

2023-001 Annual Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Region’s financial statements.

Condition – Revenues, expenditures and the ending fund balance in Southern Hills Regional Mental Health’s Annual Report did not agree to financial information reported in the Fiscal Agent’s GAAP-basis annual financial reports.

Cause – Region policies and procedures have not been established to require independent review of the fiscal agent’s annual financial report and year end cut-off transactions to ensure the Region’s financial statements are accurate and reliable.

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

Recommendation – The Region should verify financial information presented in its annual report agrees to the GAAP-basis financial information reported in its fiscal agent’s annual financial report.

Response – Southern Hills Mental Health District was disbanded at June 30, 2024, and joined with the newly formed Heart of Iowa Community Services.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Southern Hills Regional Mental Health

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.
- 2023-B Travel Expense – No expenditures of Southern Hills Regional Mental Health 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 Southern Hills Regional Mental Health’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.



Southern Hills Regional Mental Health

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Gwen D. Fangman, CPA, Manager  
April R. Davenport, Senior Auditor  
Matthew W. Beerman, Staff Auditor