

**This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.**

**SAMPLE MENTAL HEALTH REGION**

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

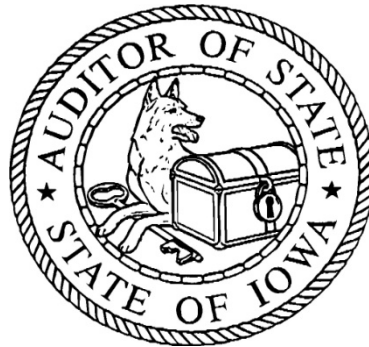
**JUNE 30, 2021**

==== Office of =====

# **AUDITOR OF STATE**

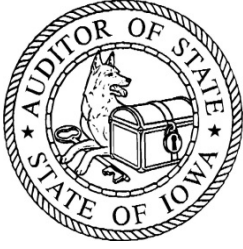
State Capitol Building • Des Moines, Iowa

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**Rob Sand**  
Auditor of State





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is for a Region providing mental health services on the basis of an agreement between several member county governments, as provided for in Chapter 28E of the Code of Iowa.

Audits of mental health regions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the financial statements and the Schedule of Findings which are necessary to meet the requirements of this Office. The detail presented in the financial statements is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Region feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Regions with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning single audit requirements should be directed to the Region's cognizant or oversight agency.

The findings on compliance, items (1) through (5), detail those items which are to be included regardless of whether there are instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Region for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) should be completed by the CPA firm or the Region and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large initial "R" and "S".

Rob Sand  
Auditor of State

**Office of Auditor of State**

**Report Filing Requirements**

**Report** – The Region or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the Region within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e. consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

**Per Diem Audit Billing & News Release** – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

**Filing Fee** – The filing fee should be submitted based on the following designated budget strata:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$ 100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

**Submission** – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to [SubmitReports@aos.iowa.gov](mailto:SubmitReports@aos.iowa.gov).

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Paper copies (if not submitted electronically) of the per diem audit billing and news release, as well as the filing fee, should be sent to the following address:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319-0001

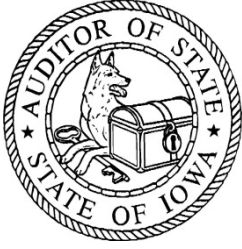
## **Sample Mental Health Region**

### **Outline of Major Changes**

- A. The Governor signed Senate File 619 which will significantly change funding for Mental Health Regions beginning July 1, 2021. For FY22, the Mental Health Regions still receive some property tax (a maximum of \$21.14 per capita – Department of Management was required to reduce many from their initial adopted budget levy) and state funding. In FY23, all receipts will be state funded. No significant changes are in affect for fiscal year ending June 30, 2021.

### **Additional Notes**

1. As a result of legislation enacted by the 2012 Legislature, Chapter 331.392(4)f requires an annual independent audit of the regional administrator. By definition, the regional administrator includes financial data reported in the Mental Health Fund of each member county and the pooled funds held and reported in a separate Custodial Fund by the Region's fiscal agent. The required disclosure of financial information for each member county's Mental Health Fund is also included in Note 17 to the financial statements in the Sample County report.
2. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements. In addition, the Region presented in this sample report is not responsible for maintaining and reporting their own capital assets, therefore related disclosures are not presented. If capital assets apply to the Region, additional disclosures may be necessary.



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STATE OF IOWA

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NEWS RELEASE

Contact:

FOR RELEASE \_\_\_\_\_

Auditor of State Rob Sand today released an audit report on the Sample Mental Health Region for the year ended June 30, 2021.

**FINANCIAL HIGHLIGHTS:**

Sample Mental Health Region's revenues totaled \$\_\_\_\_\_ for the year ended June 30, 2021, a(n) \_\_\_% increase (decrease) from the prior year. Expenses for the year ended June 30, 2021 totaled \$\_\_\_\_\_, a(n) \_\_\_% increase(decrease) from the prior year. The significant increase (decrease) in revenues and expenses is due primarily to \_\_\_\_\_.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 24 through 26 of this report. The findings address issues such as a lack of reconciliation of expenditure claims to the community services network, miscoding of transactions between the fiscal agent and member counties and noncompliance with the minutes publications requirements of Chapter 28E.6 of the Code of Iowa. Sand provided the Mental Health Region with recommendations to address each of the findings.

Two of the three findings discussed above are repeated from the prior year. The Mental Health 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.

**(Note to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)**

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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**SAMPLE MENTAL HEALTH REGION**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2021**



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**Sample Mental Health Region**

**Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Pam Biley	Board Chair	Member County D Board of Supervisors
Greg Cassidy	Vice Chair	Member County A Board of Supervisors
Pat Henry	Board Member	Member County B Board of Supervisors
Brad Lawyer	Board Member	Member County C Board of Supervisors
Doug Stamp	Board Member	Member County E Board of Supervisors
Charlene Claim	Board Member	Member County F Board of Supervisors
Leo Emerson	Non-Voting Ex-Officio Board Member	
Carla Lennon	Non-Voting Ex-Officio Board Member	
Julie Ledger	Chief Executive Officer	

**Sample Mental Health Region**



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Independent Auditor's Report

To the Regional Governance Board of Sample Mental Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sample Mental Health Region, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise Sample Mental Health Region's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the Special Revenue, Mental Health Funds of Member County A, Member County C and Member County D, which represent the following:

<u>Member County</u>	<u>Share of Assets</u>	<u>Share of Fund Balance</u>	<u>Share of Revenues</u>
Member County A	19.46%	18.98%	23.92%
Member County C	10.93%	3.45%	22.06%
Member County D	21.25%	23.99%	16.62%

Those Special Revenue, Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Member County A, Member County C and Member County D, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Sample Mental Health Region's preparation and fair presentation of the financial statements 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 Sample Mental Health Region's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

### Opinions

#### *Basis for Adverse Opinion on the Governmental Activities*

As discussed in Note 3 to the financial statements, management has not recorded a liability for compensated absences in the governmental activities and, accordingly, has not recorded an expense for the current year change in that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of Sample Mental Health Region and employees be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a total OPEB liability and a deferred outflow of resources or deferred inflows of resources related to other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not recorded an OPEB expense for the current change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. general accepted accounting principles require OPEB costs attributable to employee service already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflow of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 3 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded pension expense for the current year change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of the governmental activities. The amount by which this departure affects liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on the Governmental Activities” paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Sample Mental Health Region as of June 30, 2021, or the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinions*

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Sample Mental Health Region as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with U.S generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2022 on our consideration of Sample Mental Health Region’s internal control over financial reporting and 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 Sample Mental Health Region’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Mental Health Region’s internal control over financial reporting and compliance.

Marlys K. Gaston. CPA  
Deputy Auditor of State

February 18, 2022

**Sample Mental Health Region**

## **Basic Financial Statements**



## Sample Mental Health Region

## Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,370,930
Receivables:	
Property tax:	
Delinquent	13,764
Succeeding year	1,735,000
Accounts	2,304
Due from other governments	<u>23,683</u>
<b>Total assets</b>	<u>4,145,681</u>
<b>Liabilities</b>	
Accounts payable	109,901
Salaries and benefits payable	6,243
Due to other governments	<u>1,650</u>
<b>Total liabilities</b>	<u>117,794</u>
<b>Deferred Inflows of Resources</b>	
Unavailable succeeding year property tax	<u>1,735,000</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 2,292,887</u>
See notes to financial statements.	

Sample Mental Health Region

Statement of Activities

Year ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Governmental activities:</b>				
Mental health	\$ 1,420,641	5,752	200,138	(1,214,751)
<b>General Revenues:</b>				
Property and other county tax levied for mental health purposes				1,982,063
State tax credits				143,436
Total general revenues				2,125,499
Change in net position				910,748
Net position beginning of year				1,382,139
Net position end of year				\$ 2,292,887

See notes to financial statements.

Sample Mental Health Region

Balance Sheet

June 30, 2021

	Fiscal Agent	Member County A	Special Member County B
<b>Assets</b>			
Cash and pooled investments	\$ 165,699	433,418	672,867
Receivables:			
Property tax:			
Delinquent	-	770	7,301
Succeeding year	-	368,000	298,000
Accounts	-	1,086	-
Due from other governments	-	3,490	1,535
<b>Total assets</b>	\$ 165,699	806,764	979,703
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	5,219	3,806
Salaries and benefits payable	480	130	1,979
Due to other governments	-	-	-
Total liabilities	480	5,349	5,785
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	368,000	298,000
Other	-	770	7,301
Total deferred inflows of resources	-	368,770	305,301
Fund balances:			
Restricted for mental health purposes	165,219	432,645	668,617
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 165,699	806,764	979,703

See notes to financial statements.

Revenue, Mental Health Funds				
Member County C	Member County D	Member County E	Member County F	Total
145,110	554,553	254,152	145,131	2,370,930
1,975	2,403	33	1,282	13,764
293,000	317,000	221,000	238,000	1,735,000
420	798	-	-	2,304
12,510	6,148	-	-	23,683
453,015	880,902	475,185	384,413	4,145,681

77,954	12,801	9,240	881	109,901
-	2,040	639	975	6,243
1,562	-	88	-	1,650
79,516	14,841	9,967	1,856	117,794

293,000	317,000	221,000	238,000	1,735,000
1,975	2,354	33	1,282	13,715
294,975	319,354	221,033	239,282	1,748,715
78,524	546,707	244,185	143,275	2,279,172
453,015	880,902	475,185	384,413	

**Reconciliation of the Balance Sheet to the Statement of Net Position:**

Amounts reported in the Statement of Net Position are different because certain long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

	13,715
<b>Net position of governmental activities</b>	<b>\$ 2,292,887</b>

Sample Mental Health Region

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2021

	Special		
	Fiscal Agent	Member County A	Member County B
Revenues:			
Property and other county tax	\$ -	405,861	317,013
Intergovernmental revenues:			
State tax credits	-	31,453	24,216
MH-DD reimbursement from other governments	-	100,000	14,086
Payments from member counties	375,059	-	-
Payments from MHDS fiscal agent to MHDS regional members	-	-	68,344
Medicaid	-	14,638	-
Other	-	-	179
Total intergovernmental revenues	375,059	146,091	106,825
Use of money and property	-	633	978
Miscellaneous	-	454	3,354
Total revenues	375,059	553,039	428,170
Expenditures:			
Services to persons with:			
Mental illness	-	50,420	54,408
Intellectual disabilities	-	19,001	11,573
Other developmental disabilities	-	871	9,470
Total direct services	-	70,292	75,451
General administration:			
Direct administration	141,496	35,421	113,106
Purchased administration	-	59	-
Distribution to MHDS regional fiscal agent	-	78,798	57,977
Fiscal agent reimbursement to member counties	68,344	-	-
Total general administration	209,840	114,278	171,083
County provided case management	-	45,386	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	209,840	229,956	246,534
Net change in fund balances	165,219	323,083	181,636
Fund balances beginning of year	-	109,562	486,981
Fund balances end of year	\$ 165,219	432,645	668,617

See notes to financial statements.

Revenue, Mental Health Funds					
Member County C	Member County D	Member County E	Member County F	Elimination Entries	Total
417,951	349,861	225,714	257,448	-	1,973,848
32,254	24,358	15,281	15,874	-	143,436
58,546	-	-	-	-	172,632
-	-	-	-	(375,059)	-
-	-	-	-	(68,344)	-
-	-	-	-	-	14,638
-	9,178	1,069	34	-	10,460
90,800	33,536	16,350	15,908	(443,403)	341,166
-	797	-	-	-	2,408
1,389	-	-	555	-	5,752
510,140	384,194	242,064	273,911	(443,403)	2,323,174
106,440	134,594	83,358	80,214	-	509,434
377,453	55,013	-	1,685	-	464,725
150	-	-	-	-	10,491
484,043	189,607	83,358	81,899	-	984,650
37,181	44,144	13,430	5,533	-	390,311
59	59	58	59	-	294
122,013	45,325	21,149	49,797	(375,059)	-
-	-	-	-	(68,344)	-
159,253	89,528	34,637	55,389	(443,403)	390,605
-	-	-	-	-	45,386
643,296	279,135	117,995	137,288	(443,403)	1,420,641
(133,156)	105,059	124,069	136,623	-	902,533
211,680	441,648	120,116	6,652	-	1,376,639
78,524	546,707	244,185	143,275	-	2,279,172

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

**Change in fund balances** 902,533

Amounts reported in the Statement of Activities are different because some revenues will not be collected for several months after year end and, therefore, are not considered available revenues in the governmental funds. 8,215

**Change in net position of governmental activities** \$ 910,748

Sample Mental Health Region

Notes to Financial Statements

June 30, 2021

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

Sample Mental Health Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Sample Mental Health Region includes the following member counties: Member County A, Member County B, Member County C, Member County D, Member County E and Member County F. The member counties entered into this 28E agreement on September 28, 2013 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.

Sample Mental Health Region's 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.

Sample Mental Health Region designated Member County B as the fiscal agent to account for all its funds as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditors Report, Sample Mental Health 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 Sample Mental Health Region are intended to present the financial position and the changes in financial position of Sample Mental Health Region, which includes funds held by Sample Mental Health Region's fiscal agent and funds held by the individual member counties in their respective Special Revenue, Mental Health Funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

A. Reporting Entity

For financial reporting purposes, Sample Mental Health Region has included all funds, organizations, agencies, commissions and authorities. Sample Mental Health 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 Sample Mental Health Region are such that exclusion would cause Sample Mental Health 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 Sample Mental Health 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 Sample Mental Health Region. Sample Mental Health 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 Sample Mental Health 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:

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

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

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

Sample Mental Health Region reports the following major governmental funds:

Special Revenue:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, Sample Mental Health Region considers revenues to be available if they are collected by Sample Mental Health Region or a member county within 90 days after year end.



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

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

Under the terms of grant agreements, Sample Mental Health 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 Sample Mental Health 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 Sample Mental Health Region funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a member county's Special Revenue, Mental Health Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is recorded as a deferred inflow of resources in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by each member county Board of Supervisors in March 2020.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not 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 fund financial statements consist of property tax receivable and other receivables not collected within 90 days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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**

Sample Mental Health Region's deposits in banks at June 30, 2021 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.

Sample Mental Health 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 Sample Mental Health 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.

Sample Mental Health Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Compensated Absences, Other Postemployment Benefits (OPEB) and Pension Plan**

In accordance with statements of understanding between Sample Mental Health Region’s Regional Governance Board and each individual member county Board of Supervisors, Sample Mental Health Region’s Chief Executive Officer, the Coordinators of Disability Services and all support staff of Sample Mental Health Region remain employees of the respective individual member counties. The applicable portion of the employee’s wages and benefits are reimbursed to the individual member county by Sample Mental Health Region.

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

**(4) Risk Management**

Sample Mental Health Region is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Sample Mental Health Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three fiscal years.

**(5) COVID-19**

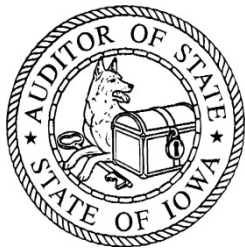
In March 2020, the COVID–19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Sample Mental Health Region, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Sample Mental Health Region. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Sample Mental Health Region.

**(6) Subsequent Event**

The Governor signed Senate File 619 on June 16, 2021 which will significantly change funding for the Sample Mental Health Region beginning July 1, 2021. During fiscal year 2022, the Region will continue to receive property tax (a maximum of \$21.14 per capita) and some state funding. Beginning in fiscal year 2023, the Region will no longer receive property tax levy funds from the member counties. All funding will, instead, come entirely from state appropriations.

**Sample Mental Health Region**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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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 Sample Mental Health Region:

We have audited in accordance with U.S. generally accepted auditing standards 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 Sample Mental Health Region as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise Sample Mental Health Region's basic financial statements, and have issued our report thereon dated February 18, 2022. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Special Revenue, Mental Health Funds of Member County A, Member County C and Member County D, as described in our report on Sample Mental Health Region's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Mental Health Region's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample Mental Health Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Mental Health Region's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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 a material misstatement of Region's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Mental Health Region's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Sample Mental Health Region's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Sample Mental Health 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.

#### Sample Mental Health Region's Responses to the Findings

Sample Mental Health Region's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Sample Mental Health Region's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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 Sample Mental Health 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 Sample Mental Health 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 Sample Mental Health 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

February 18, 2022

Sample Mental Health Region

Schedule of Findings

Year ended June 30, 2021

**Finding Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Community Services Network Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling mental health expenditure claims to amounts recorded to the Community Services Network (CSN) to ensure the accuracy of claims paid.

Condition – Mental Health expenditure claims were not reconciled to CSN throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile mental health expenditure claims to CSN.

Effect – The lack of a monthly reconciliation increases the probability errors in recording will go undetected.

Recommendation – The Region should establish procedures to ensure a monthly reconciliation of mental health expenditure claims to CSN is completed. An independent person should review the reconciliations. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Region will ensure a reconciliation between CSN and the County Auditor's expenditure report is completed on a monthly basis and provide documentation that the two match. After completing the reconciliation process in CSN, claims staff will print the monthly expenditure report, ensure it matches the County Auditor's report and sign and date the report. On a quarterly basis, the Financial Manager will run an independent report from CSN, comparing it with the County Auditor's monthly report and then sign off and date that it is complete.

Conclusion – Response accepted.

(B) Mental Health Financial Reporting

Criteria – Elimination entries are necessary to reduce revenues and expenditures in Sample Mental Health Region's annual report for financial activity occurring between the fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides the coding necessary for identifying the elimination activity.

Condition – During the audit, we identified transactions between the fiscal agent and member counties which were not properly coded.

Cause – Policies have not been established and procedures have not been implemented to reconcile financial activity occurring between the fiscal agent and the member counties and ensure financial activity is properly coded.

Effect – Adjustments were subsequently made by Sample Mental Health Region to properly report and eliminate these transactions in the financial statements.

Sample Mental Health Region

Schedule of Findings

Year ended June 30, 2021

Recommendation – Sample Mental Health Region should establish procedures to monitor the coding of revenues and expenditures in accordance with the Uniform Chart of Accounts for Iowa County Governments to ensure proper reporting in the financial statements.

Response – Sample Mental Health Region’s CEO will meet with each County Auditor of the region to address the coding issues noted above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Sample Mental Health Region

Schedule of Findings

Year ended June 30, 2021

**Other Findings Related to Required Statutory Reporting:**

- (1) 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 – Sample Mental Health Region should ensure the minutes are published as required.

Response – The Region will ensure the minutes are published in the main newspapers in the member County where the Regional Governance Board meeting is held.

Conclusion – Response accepted.

- (2) Travel Expense – No expenditures of Sample Mental Health Region money for travel expenses of spouses of officials or employees were noted.
- (3) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and Sample Mental Health Region’s investment policy were noted.
- (4) 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.
- (5) 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.

Sample Mental Health Region

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
John Q. Review, CPA, Manager  
Margo Setter, CPA, Senior Auditor  
Jeremy J. Warning, Staff Auditor