

EASTERN IOWA  
MENTAL HEALTH AND  
DISABILITY SERVICES  
REGION

**ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2015**

# Eastern Iowa Mental Health and Disability Services Region

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As of and for the Year Ended June 30, 2015

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## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region  
Davenport, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eastern Iowa Mental Health and Disability Services Region, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Eastern Iowa Mental Health and Disability Services Region's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mental Health Funds of Cedar County, Clinton County, Jackson County and Muscatine County, which represent 6.4%, 17.6%, 6.6% and 17.5%, respectively, of the assets, 4.9%, 15.8%, 5.6% and 15.9%, respectively, of the fund balance and 6.5%, 17.0%, 6.2% and 15.3%, respectively, of the revenues included in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, respectively and 48.2%, 42.2% and 45.1%, respectively of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mental Health Funds of Cedar County, Clinton County, Jackson County and Muscatine County, is based solely on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the Eastern Iowa Mental Health and Disability Services 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 the Eastern Iowa Mental Health and Disability Services 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As discussed on Note 4 to the financial statements, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Generally accepted accounting standards in the United States of America require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of the employer and employee 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 governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

As discussed on Note 4 to the financial statements, management has not recorded a liability for other postemployment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Generally accepted accounting standards in the United States of America require annual other postemployment benefit costs based on the annual required contribution, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

As discussed on Note 4 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 governmental activities and, accordingly, has not recorded pension expense for the current period change in that liability, deferred outflows of resources or deferred inflows of resources. Generally accepted accounting standards in the United States of America require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, deferred outflow of resources, deferred inflows of resources, net position and expenses of 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 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 the Eastern Iowa Mental Health and Disability Services Region, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region

***Unmodified Opinions***

In our opinion, based on our audit and the reports of other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances present fairly, in all material respects, the respective financial position of each major fund of the Eastern Iowa Mental Health and Disability Services Region, Iowa, as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 for 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 auditing standards generally accepted in the United States of America, 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 an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Iowa Mental Health and Disability Services Region's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the schedule of expenditures of federal awards referred to above.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June XX, 2016 on our consideration of the Eastern Iowa Mental Health and Disability Services Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the Eastern Iowa Mental Health and Disability Services Region's internal control over financial reporting and compliance.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
June 20, 2016

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

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It is an honor to present to you the financial picture of the Eastern Iowa Mental Health and Disability Services Region. We offer readers of the Region's financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2015.

The Region began services in fiscal year 2015. Comparative information is not available to present within the Management Discussion and Analysis.

#### Financial Highlights

The assets of the Region exceeded its liabilities and deferred inflows of resources as of June 30, 2015 by \$13,449,115 (net position). Of this amount, \$13,449,115 may be used to meet the Region's ongoing obligations to citizens and creditors.

The Region's total net position increased by \$13,449,115 during the year ended June 30, 2015. \$6,953,613 of the balance is a special item, the recognition of beginning fund balance from each member county into the region. Individual fund balance continue to remain with each member county.

As of June 30, 2015, the Region's governmental fund reported combined ending fund balances of \$13,415,878, an increase of \$13,415,878. This is because the Region formally began operations on July 1, 2014. \$13,415,878 is available for spending at the Region's discretion (unassigned). Revenues exceeded expenditures by \$6,462,265. The Region's revenues provided for program services, however \$4,817,623 was state equalization funding which will not be provided in future years. Additionally Social Service Block Grant revenue of \$1,589,175 will also not be funded in future years. Direct administration services, \$2,033,840, include \$1,372,539 in Medicaid offset funding that were required to be paid the Iowa Department of Human Services.

#### Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Region's basic financial statements. The Region's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Region.

The Statement of Net Position presents the Region's assets, liabilities and deferred inflows of resources, with the difference reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The Region does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

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Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Region, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Region utilizes governmental fund accounting.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Region maintains one individual governmental fund, with 6 consolidated sub funds representing the region fiscal agent and a sub fund of each member county. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the consolidated fund.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. This information can be found on page 22 of this report.

## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

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#### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Region's total net position has increased since inception on July 1, 2014 to \$13,449,115.

Of the Region's net position, 100 percent is restricted for mental health.

	Governmental Activities
	2015
Current and other assets	\$ 22,876,468
<b>Total assets</b>	<b>22,876,468</b>
Current liabilities	1,146,321
<b>Total liabilities</b>	<b>1,146,321</b>
Deferred inflows of resources	<b>8,281,032</b>
Net position:	
Restricted	13,449,115
<b>Total net position</b>	<b>\$ 13,449,115</b>

Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted through enabling legislation for 2015 of \$13,449,115 for mental health.

\$14,171,140 of the current assets is liquid cash and investments to provide services to residents. \$8,296,026 is property tax receivable from the five member counties. \$8,281,032 of the property tax receivable is intended to fund FY 16 and is not available for FY 15.

## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

Table 2 highlights the Region's revenues and expenses for the fiscal year ended June 30, 2015. These two main components are subtracted to yield the change in net position. This table utilizes the accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services and sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

	Governmental Activities
	2015
Revenues:	
Program revenues:	
Charges for services	\$ 210,871
Operating grants and contributions	6,647,367
General revenues:	
Taxes:	
Property taxes	8,539,650
Other taxes	352,154
State tax replacement credits	548,609
Investment earnings	9,763
Miscellaneous	108,976
<b>Total revenues</b>	<b>16,417,390</b>
Expenses:	
Mental health	9,921,888
<b>Total expenses</b>	<b>9,921,888</b>
<b>Excess (deficiency) before special item</b>	<b>6,495,502</b>
Special Item	6,953,613
<b>Increase (decrease) in net position</b>	<b>13,449,115</b>
Net position, beginning	-
Net position, ending	<b>\$ 13,449,115</b>

## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

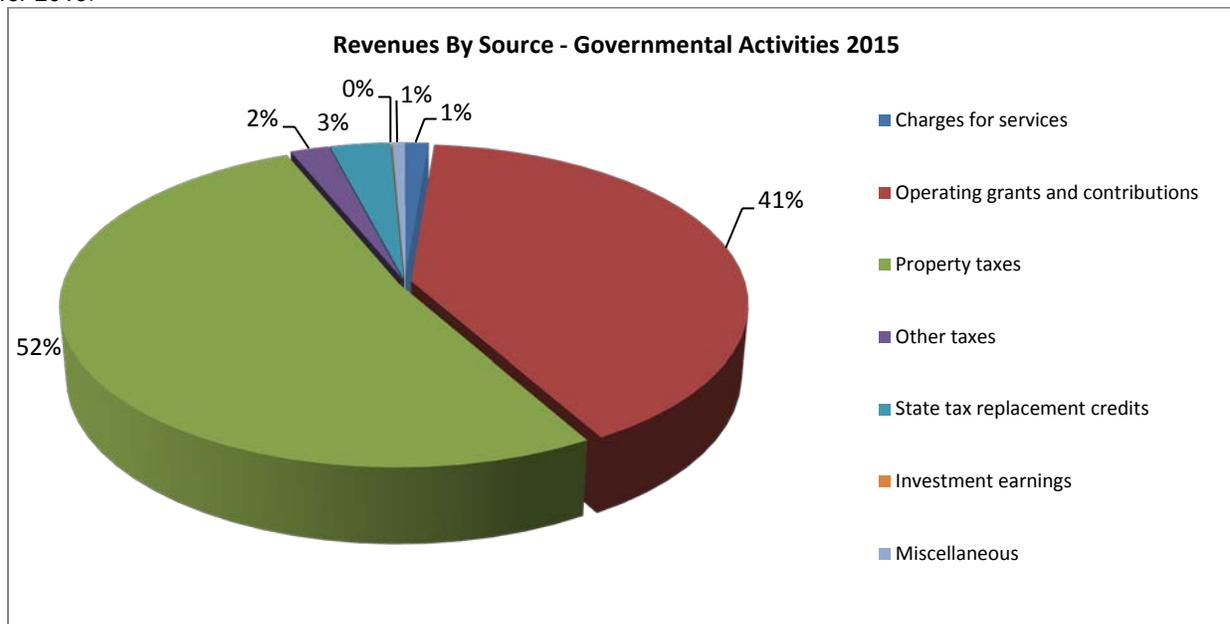
The Region's total net position increased by \$13,449,115 during the current fiscal year. Charges for services represented 1% or \$210,871, of activity. 28% or \$6,467,357 of region resources were provided through operating grants and contributions, however, it is estimated 96% of operating grants, or \$6,406,798, will not reoccur in future fiscal years due to the change in the funding model by the State of Iowa. 41% or \$9,559,152 are general tax and miscellaneous revenue to support mental health services. This funding will continue in future years. 30% or \$ 6,953,613 of fiscal 2015 activity is from the special item, recognition of beginning fund balance to the Region.

Table 3 below discloses cost of services for governmental activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Programs	Total Cost of 2015	Net (Expense) of Services 2015
Mental health	\$ 9,921,888	\$ (3,063,650)
<b>Total</b>	<b>\$ 9,921,888</b>	<b>\$ (3,063,650)</b>

Net cost of services is 69 percent of total cost of services in 2015.

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2015.



## Eastern Iowa Mental Health and Disability Services Region

### Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2015

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#### Financial Analysis of the Government's Funds

As noted earlier, the Region of Scott, Iowa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The Region governmental fund provides the same type of information found in the government-wide financial statements but in more detail. Other factors concerning the finances of these funds have already been addressed in the discussion of the Region's governmental activities.

#### Economic Factors and Next Year's Budgets and Rates

- The Region primary revenues are derived from property taxes and state credits. All of the counties are capped at the lower of base year expenditures or per capita of \$47.28. The region does not believe this funding mechanism is viable in the long term and is funding future services off of existing fund balance.
- Fiscal 2016 will be the second year operating as a mental health region. The Region entered into a contract with a local provider to manage crisis care continuum of services. This contract is for a one year increment of approximately \$3.1 million and began on January 14, 2016.
- The region has been working with state legislature to change current code related to the property tax levy funding mechanism. Legislation was proposed in the Spring of 2016 to remove or amend the property tax cap that is currently in place; however, this legislation did not move forward and the current funding model was extended to June 30, 2017. Without a change in the mechanism, future funding levels and service for individuals with disabilities will be reduced or eliminated.

All of these factors were considered in preparing the Region's budget for the June 30, 2016 and June 30, 2017 fiscal years.

#### Requests for Information

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the Region's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write David Farmer, Region Fiscal Agent Administrator, Scott County Administrative Center, 600 West 4<sup>th</sup> Street, Davenport, Iowa 52801-1003.

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## **BASIC FINANCIAL STATEMENTS**

Eastern Iowa Mental Health Disability Services Region

Statement of Net Position  
As of June 30, 2015

	Primary Government Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 14,171,140
Receivables:	
Property taxes	8,296,026
Accounts	3,604
Due from other governmental agencies	405,698
<b>Total assets</b>	<b>\$ 22,876,468</b>
 <b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	
Liabilities:	
Accounts payable	\$ 1,028,390
Accrued liabilities	37,265
Due to other governments	80,666
<b>Total liabilities</b>	<b>1,146,321</b>
Deferred inflows of resources:	
Succeeding year property tax	8,281,032
<b>Total deferred inflows of resources</b>	<b>8,281,032</b>
Net position:	
Restricted for:	
Mental health	13,449,115
<b>Total net position</b>	<b>13,449,115</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 22,876,468</b>

See Notes to Basic Financial Statements



Eastern Iowa Mental Health Disability Services Region

**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2015**

	Mental Health Funds		
	Fiscal Agent	Cedar County	Clinton County
<b>Assets</b>			
Cash and investments	\$ 2,689,809	\$ 671,308	\$ 2,226,520
Receivables, net of allowance for uncollectible:			
Property taxes, net of allowance for collection losses	-	790,894	1,721,619
Accounts	-	-	870
Due from other governmental agencies	-	11,272	86,073
<b>Total assets</b>	<b>\$ 2,689,809</b>	<b>\$ 1,473,474</b>	<b>\$ 4,035,082</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 38,893	\$ 14,954	\$ 148,005
Accrued liabilities	-	1,636	7,021
Due to other governments	-	14,951	49,448
<b>Total liabilities</b>	<b>38,893</b>	<b>31,541</b>	<b>204,474</b>
<b>Deferred inflows of resources:</b>			
Succeeding year property tax	-	790,000	1,702,000
Unavailable revenue	-	739	15,424
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>790,739</b>	<b>1,717,424</b>
<b>Fund balances :</b>			
Restricted for mental health purposes	2,650,916	651,194	2,113,184
<b>Total fund balances</b>	<b>2,650,916</b>	<b>651,194</b>	<b>2,113,184</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,689,809</b>	<b>\$ 1,473,474</b>	<b>\$ 4,035,082</b>

See Notes to Basic Financial Statements

Jackson County	Muscatine County	Scott County	Elimination Entries	Total
\$ 769,464	\$ 2,167,621	\$ 5,646,418	\$ -	\$ 14,171,140
716,439	1,749,000	3,318,074	-	8,296,026
-	2,734	-	-	3,604
14,964	88,228	205,161	-	405,698
<u>\$ 1,500,867</u>	<u>\$ 4,007,583</u>	<u>\$ 9,169,653</u>	<u>\$ -</u>	<u>\$ 22,876,468</u>
\$ 14,179	\$ 100,695	\$ 711,664	\$ -	\$ 1,028,390
2,501	2,591	23,516	-	37,265
12,638	3,629	-	-	80,666
<u>29,318</u>	<u>106,915</u>	<u>735,180</u>	<u>-</u>	<u>1,146,321</u>
716,000	1,765,000	3,308,032	-	8,281,032
413	7,000	9,661	-	33,237
<u>716,413</u>	<u>1,772,000</u>	<u>3,317,693</u>	<u>-</u>	<u>8,314,269</u>
755,136	2,128,668	5,116,780	-	13,415,878
<u>755,136</u>	<u>2,128,668</u>	<u>5,116,780</u>	<u>-</u>	<u>13,415,878</u>
<u>\$ 1,500,867</u>	<u>\$ 4,007,583</u>	<u>\$ 9,169,653</u>	<u>\$ -</u>	

Amounts reported for governmental activities 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 in the governmental funds.

33,237

Net position of governmental activities

\$ 13,449,115

Eastern Iowa Mental Health Disability Services Region

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the year ended June 30, 2015

	Mental Health Funds		
	Fiscal Agent	Cedar County	Clinton County
Revenues:			
Property taxes	\$ -	\$ 813,972	\$ 2,021,947
Other Tax	-	14,085	136,678
Intergovernmental			
State tax credits	-	48,043	147,697
Payments from regional members	2,697,555	-	-
Mental health and disability services equalization	4,817,623	-	-
Social service block grant	-	47,280	360,985
Other intergovernmental revenues	-	137,654	-
Total intergovernmental revenues	7,515,178	232,977	508,682
Charges for services	-	-	126,186
Investment earnings	1,758	-	-
Other	-	11,324	-
<b>Total revenues</b>	<b>7,516,936</b>	<b>1,072,358</b>	<b>2,793,493</b>
Expenditures:			
Services to persons with:			
Mental illness	-	156,060	1,137,646
Chronic mental illness	-	-	-
Intellectual disability	-	167,313	19,040
Other developmental disabilities	-	4,088	65,135
Brain injury	-	-	-
Total direct services to customers	-	327,461	1,221,821
Government services to residents			
Direct administration	48,397	12,976	168,686
Purchased administration	-	16,000	-
Distribution to regional members from fiscal agent	4,817,623	-	-
Fiscal agent reimbursement from member counties	-	578,076	1,099,904
Total general administration	4,866,020	607,052	1,268,590
County provided case management	-	361,718	-
County provided services	-	-	-
<b>Total Expenditures</b>	<b>4,866,020</b>	<b>1,296,231</b>	<b>2,490,411</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,650,916</b>	<b>(223,873)</b>	<b>303,082</b>
Special Item - Initial Contributions from Member Counties	-	875,067	1,810,102
<b>Net change in fund balances</b>	<b>2,650,916</b>	<b>651,194</b>	<b>2,113,184</b>
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<b>\$ 2,650,916</b>	<b>\$ 651,194</b>	<b>\$ 2,113,184</b>

See Notes to Basic Financial Statements.

Mental Health Funds				
Jackson County	Muscatine County	Scott County	Elimination Entries	Total
\$ 722,163	\$ 1,891,848	\$ 3,056,483	\$ -	\$ 8,506,413
17,443	51,578	132,370	-	352,154
56,698	121,682	174,489	-	548,609
-	-	-	(2,697,555)	-
144,838	-	4,672,785	(4,817,623)	4,817,623
62,756	257,716	860,438	-	1,589,175
673	102,242	-	-	240,569
264,965	481,640	5,707,712	(7,515,178)	7,195,976
-	61,157	23,528	-	210,871
-	-	8,005	-	9,763
11,454	12,584	73,614	-	108,976
1,016,025	2,498,807	9,001,712	(7,515,178)	16,384,153
151,607	812,257	3,674,678	-	5,932,248
-	-	22,481	-	22,481
148,016	461,317	505,470	-	1,301,156
4,861	-	142,127	-	216,211
-	-	7,842	-	7,842
304,484	1,273,574	4,352,598	-	7,479,938
176,476	178,450	1,458,855	(10,000)	2,033,840
-	-	-	-	16,000
-	-	-	(4,817,623)	-
79,307	920,268	10,000	(2,687,555)	-
255,783	1,098,718	1,468,855	(7,515,178)	2,049,840
-	-	-	-	361,718
-	-	30,392	-	30,392
560,267	2,372,292	5,851,845	(7,515,178)	9,921,888
455,758	126,515	3,149,867	-	6,462,265
299,378	2,002,153	1,966,913	-	6,953,613
755,136	2,128,668	5,116,780	-	13,415,878
-	-	-	-	-
\$ 755,136	\$ 2,128,668	\$ 5,116,780	\$ -	\$ 13,415,878

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

33,237

Change in net position of governmental activities

\$ 13,449,115

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

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#### **Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies**

##### **Nature of operations:**

The Eastern Iowa Mental Health and Disability Services Region (the "Region") is incorporated and operates under the provisions of the Code of Iowa, as a 28E joint agreement government. The Region includes the following counties: Cedar County, Clinton County, Jackson County, Muscatine County, and Scott County. The member counties entered into this 28E agreement between March 13-25, 2014 by each county to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The Region governing board is comprised of one board of supervisors' member, from each member county. The governing board also includes one individual who utilizes mental health and disability services or is an actively involved relative of such an individual, serving in a nonvoting, ex officio capacity.

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

The 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 the Region are intended to present the financial position and the changes in financial position of Eastern Iowa Mental Health and Disability Region, which includes funds held by the 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.

##### **Financial reporting entity:**

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the Region is financially accountable. The Region has also considered all other potential organizations for which the nature and significance of their relationships with the Region are such that exclusion would cause the Region's financial statements to be misleading or incomplete. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reports as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by the individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

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**Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

Component units are reported using one of two methods, discrete presentation or blending. Generally component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantially the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from the resources of the primary government. There are no entities that qualify as a component unit of the Region.

**Basis of presentation:**

The Region's basic financial statements consist of government-wide statements including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Region.

The Statement of Net Position presents the Region's 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. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The Region does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds. The Region does not have any proprietary or fiduciary activity.

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

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#### Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Fund financial statements: The accounts of the Region are organized on the basis of major funds. The operations of each fund are accounted for by providing a separate set of self balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate.

The Region reports the following major governmental funds:

##### Special Revenue Funds:

*Mental Health Fund (Fiscal Agent):* This fund is used to account for the activity of the Region not expended directly from the Mental Health Funds of the individual member counties.

*Member County Mental Health Funds:* Each member county may levy property taxes, receive state tax credits, State Block Grants as well as other revenue activity on their own. Additionally, mental health services may be expended on the local level before any excess fund balance is distributed to the fiscal agent. These funds are individual funds within each county's financial statements. Elimination entries are presented to remove any related activity across member counties or the fiscal agent.

#### **Measurement focus and basis of accounting:**

The government-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 taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, the Region considers revenues to be available if they are collected by the Region or member counties within 90 days after year end.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified and approved by the state of Iowa. The current tax levy recognized in revenue was certified by each county in May 2014, based on the 2013 assessed valuations. These taxes are due in two installments, on September 30 and March 31, with a 1.5 percent per month penalty for delinquent payment. All other revenue items are considered to be measurable and available only when cash is received by the Region or member counties.

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

---

#### **Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

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, the 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 the 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 classifications – committed, assigned and then unassigned fund balances.

#### **Assets, Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position:**

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

Pooled cash and investment account: Separate bank accounts and investments are not maintained for all Region funds, as certain sub funds maintain their cash and investment balances in a pooled account. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund.

Investments: Investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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

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. All amounts are expected to be collected within one year.

Due to Other Governments: Due to other governments represents taxes and other revenues collected by the Region and payments for services which will be remitted to other governments.

Unearned / unavailable revenue: Unearned / unavailable revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Region has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Region has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

---

#### **Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)**

Deferred inflows of resources: A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Fund Equity: In accordance with Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, the County classifies governmental fund balance as follows:

- Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

The Iowa Code mandates any county fund in excess of 25% of expenditures must remit excess fund balance to the regional fiscal agent level. The Region's governing board has affirmed this position.

Net position: Net position represents the difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Region first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Budgetary information: The Region did not adopt a budget for the current year.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## Eastern Iowa Mental Health and Disability Region

### Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2015

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#### Note 2. Deposits and Investments

As of June 30, 2015, the Region's cash and investments were as follows:

Cash on hand and deposits with financial institutions - Fiscal Agent	\$ 2,689,809
Cash on hand and deposits with financial institutions - Member counties	<u>11,481,331</u>
	<u>\$ 14,171,140</u>

The Region follows Scott County, Iowa's Investment Policy as Scott County is the fiscal agent of the region. Individual member county's follow each county's investment policy for their mental health funds.

Interest rate risk: Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Region's investment policy, portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.

As of June 30, 2015, the Region had no investments exposed to interest rate risk.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Region is authorized by statute to invest in U.S. government and agency obligations, perfected repurchase agreements and commercial paper rated within the two highest prime classifications by at least one of the standard rating services. The Region's investment policy does limit them from investing in reverse repurchase agreements, futures and options contracts, inverse floaters, and stripped securities, including principal only and interest only strips.

As of June 30, 2015, the Region did not have any investments subject to credit risk.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the Region's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Region will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all Region funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2015, the Region did not have any investments exposed to custodial credit risk. There were no deposits exposed to custodial credit risk.

#### Note 3. Special Item - Initial Contributions from Member Counties

The Region began operations July 1, 2014. The ending balances of the Mental Health Funds of each member county as of June 30, 2014 are reported as initial contributions from member counties in the Statement of Activities.

## **Eastern Iowa Mental Health and Disability Region**

### **Notes to Basic Financial Statements**

**As of and For the Year Ended June 30, 2015**

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#### **Note 4. Compensated Absences, Other Postemployment Benefits (OPEB) and Pension Plan**

In accordance with statements of understanding between the Region's Board of Directors and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of the 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 from the Region.

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

#### **Note 5. Risk Management and Insurance**

The 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. The Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risk have not exceeded commercial insurance coverage for the past year.

## **SUPPLEMENTARY INFORMATION**

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**Eastern Iowa Mental Health and Disability Services Region**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<i>(Passed through Iowa Department of Human Services)</i>			
Social Service Block Grant - State Payment Program	93.667	N/A	<u>\$ 1,589,175</u>

See Notes to Schedule of Expenditures of Federal Awards.

**Eastern Iowa Mental Health and Disability Services Region**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Eastern Iowa Mental Health and Disability Services Region and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2. Significant Accounting Policies**

Revenue from federal awards is recognized when the Region has done everything necessary to establish its right to revenue. For government funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Pass-Through Funding**

Of the federal expenditures presented in the schedule, the Region provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Cedar County	93.667	\$ 47,280
Clinton County	93.667	360,985
Jackson County	93.667	62,756
Muscatine County	93.667	257,716
Scott County	93.667	860,438
		<u>\$ 1,589,175</u>

## **COMPLIANCE SECTION**

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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*

Independent Auditors' Report

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region  
Davenport, Iowa

We have audited, in accordance with the 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 the Eastern Iowa Mental Health and Disability Services Region, Iowa as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Eastern Iowa Mental Health and Disability Services Region's basic financial statements, and have issued our report thereon dated June 20, 2016. Our report includes an adverse opinion on the financial statements of the governmental activities because of management has not recorded liabilities for compensated absences and other postemployment benefits and the net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in the governmental activities and, accordingly, has not recorded an expense for the current period change in those liabilities, deferred outflows of resources or deferred inflows of resources. Our report includes a reference to other auditors who audited the financial statements of the Mental Health Funds of Cedar County, Clinton County, Jackson County and Muscatine County, as described in our report on the Eastern Iowa Mental Health and Disability Services 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 the Eastern Iowa Mental Health and Disability Services Region's internal control over financial reporting (internal control) to determine the 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 the Eastern Iowa Mental Health and Disability Services Region's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastern Iowa Mental Health and Disability Services Region's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Eastern Iowa Mental Health and Disability Services Region's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Eastern Iowa Mental Health and Disability Services Region's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Eastern Iowa Mental Health and Disability Services Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
June 20, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

To the Board of Directors  
County of Scott, Iowa  
Davenport, Iowa

***Report on Compliance for Each Major Federal Program***

We have audited the Eastern Iowa Mental Health and Disability Services Region, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Eastern Iowa Mental Health and Disability Services Region's major federal program for the year ended June 30, 2015. The Eastern Iowa Mental Health and Disability Services Region's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Eastern Iowa Mental Health and Disability Services Region's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Eastern Iowa Mental Health and Disability Services Region's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Eastern Iowa Mental Health and Disability Services Region's compliance.

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region

***Basis for Qualified Opinion on the Social Service Block Grant Program***

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 93.667 Social Service Block Grant as described in finding number 2015-001 as it related to subawards and subrecipients. Compliance with such requirements is necessary, in our opinion, for the Region to comply with the requirements applicable to that program.

***Qualified Opinion on the Social Service Block Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Region complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.667 Social Service Block Grant for the year ended June 30, 2015.

***Eastern Iowa Mental Health and Disability Services Region's Response to Findings***

The Eastern Iowa Mental Health and Disability Services Region's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Eastern Iowa Mental Health and Disability Services Region's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the Eastern Iowa Mental Health and Disability Services Region is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Eastern Iowa Mental Health and Disability Services Region's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Eastern Iowa Mental Health and Disability Services Region's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 that we consider to be a material weakness.

To the Board of Directors  
Eastern Iowa Mental Health and Disability Services Region

***Eastern Iowa Mental Health and Disability Services Region's Response to Findings***

The Eastern Iowa Mental Health and Disability Services Region's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Eastern Iowa Mental Health and Disability Services Region's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
June 20, 2016

**Eastern Iowa Mental Health and Disability Services Region**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I: Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued			
Governmental activities financial statements		Adverse	
Governmental fund financial statements		Unmodified	
Internal control over financial reporting			
Material weakness(es) identified?	_____ yes	_____ X _____	no
Significant deficiency(ies) identified?	_____ yes	_____ X _____	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ X _____	no

*Federal Awards*

Internal control over major program			
Material weakness(es) identified?	_____ X _____	yes	_____ no
Significant deficiency(ies) identified?	_____ yes	_____ X _____	none reported
Type of auditor's report issued on compliance for major programs		Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ X _____	yes	_____ no
Auditee qualified as low-risk auditee?	_____ yes	_____ X _____	no
Identification of major federal programs			

**CFDA NUMBER**  
93.667

**Name of Federal Program or Cluster**  
Social Service Block Grant

Dollar threshold used to distinguish between Type A and Type B programs	_____ \$ 300,000 _____
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(Continued)

## Eastern Iowa Mental Health and Disability Services Region

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2015

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#### Section II: Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

There were no financial statement findings in 2015.

#### Section III: Federal Awards Findings and Questioned Costs

Federal Program:	CFDA #93.667 - Social Services Block Grants (SSBG)
Criteria:	OMB Circular A-133 requires a pass-through entity to be responsible for determining a subrecipient's eligibility, identify to the subrecipient the federal award information, monitor the subrecipient's use of federal awards, ensure that the subrecipient has met the audit requirements of OMB Circular A-133, if applicable and evaluate the impact of subrecipient activities on the pass-through entity's compliance with federal regulations.
Condition:	The is no evidence that the Region followed the provisions OMB Circular A-133 as applicable to subrecipient monitoring.
Questioned Costs:	None noted.
Context:	The State of Iowa required the establishment of regions made up of individual counties to provide mental health and disability services. This resulted in a change in how SSBG funds were distributed from prior years. SSBG funds were now distributed to the regions rather than the individual counties. The Region was unaware of the requirement to reports the SSBG funds as a pass-through entity until after the current fiscal year was closed.
Effect:	Subrecipients may not have used the funds for authorized purposes in compliance with Federal statutes, regulations, the terms of conditions of the subaward and that subaward performance goals were achieved.
Cause:	Delayed communication to the Region by the Iowa Department of Human Services.
Recommendation:	We recommend that the Region establish policies and procedures in accordance with OMB Circular A-133 for all future subawards.
Management's Response and Corrective Action Plan:	The Region recognizes the importance of verifying all awards as to federal award status. In the future increased dialogue and documentation with grant funding agencies will identify the status of the award. Additional risk assessment, internal control monitoring and reporting will be applied to any federal awards funded to the region or subawards and subrecipients in accordance with the fiscal agent's grant management policy.

**Eastern Iowa Mental Health and Disability Services Region**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2015**

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

2015-IV-A Region Minutes

No transactions were found that we believe should have been approved in the Region minutes but were not.

2015-IV-B Travel Expense

No disbursements of Region money for travel expenses of spouses of Region officials or employees were noted.

2015-IV-C Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and Region's investment policy were noted.

2015-IV-D Questionable disbursements

No expenditures were noted that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.