

**EASTERN IOWA
MENTAL HEALTH AND
DISABILITY SERVICES
REGION**

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2023

Eastern Iowa Mental Health and Disability Services Region

Table of Contents

As of and for the Year Ended June 30, 2023

Financial Section	
Independent auditors' report	1 – 3
Management's discussion and analysis (required supplementary information)	4 – 10
Basic financial statements	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet – governmental funds	13
Reconciliation of total governmental fund balances to net position of governmental activities	13
Statement of revenues, expenditures and changes in fund balances – governmental funds	14
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	14
Notes to basic financial statements	15 – 20
Required supplementary information	
Budgetary comparison schedule	21
Notes to required supplementary information	22

Compliance Section	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	23 – 24
Schedule of findings and responses	25

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Eastern Iowa Mental Health and Disability Services Region (the Region), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Region's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Region, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Region and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Region's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Region's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Region's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 13, 2023

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, 2023

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, 2023.

Financial Highlights

The assets of the Region exceeded its liabilities and deferred inflows of resources as of June 30, 2023 and 2022 by \$4,325,669, and \$7,601,544 (net position), respectively. Of this amount, \$4,325,669 and \$7,601,544, respectively, may be used to meet the Region's ongoing obligations to citizens and creditors.

The Region's total net position decreased by \$3,275,875 during the year ending June 30, 2023 and increased by \$2,416,401 during the year ended June 30, 2022. Fiscal year 2023 is the ninth year of consolidated operations of the region, and the eighth year of continuing operations. The Region became fully dependent on intergovernmental state funds and fund balance per Iowa Senate File 619, passed in 2021. New services were implemented and other services were expanded in 2023 to draw down fund balance and meet state goals of services. Several training opportunities were provided region-wide in 2023 as well. Some services had been delayed in 2022 due to the COVID-19 pandemic. Overall revenues decreased \$0.9 million, while mental health expenditures increased \$4.8 million. The prior year had COVID-19 services delayed that did not re-occur in 2023.

In FY23, the per capita amount for the Region was \$38.00. Funding was sent to the Region on a quarterly basis, totaling approximately \$10.2 million. The State also limited fund balance amounts regions could hold each year starting with FY22, no more than 40%; FY23, no more than 20%; and FY24, no more than 5%. If the Region was over the percentage limit, the State would withhold the dollar amount over the percentage amount in the next fiscal year during the last 2 quarterly payments. In FY22 and FY23, the State entered into performance based contracts with each Region. The contract expectations of the Regions included consistent data collection, implementation of all core crisis services, submission of accurate quarterly performance measures, and attendance/participation at required meetings. Also in FY23, the Region expanded several children's behavioral health services, addressing children and their families in crisis. The Region also invested in several trainings, focusing on crisis intervention, trauma informed care, and sequential intercepts for children.

As of June 30, 2023, the Region's governmental fund reported combined ending fund balances of \$4,325,669, a decrease of \$3,273,331. \$4,325,669 is available for spending at the Region's discretion. Expenditures exceeded revenues by \$3,273,331, as the region developed a budget to maximize services, while reducing fund balance through a reduction of revenues, several one-time funding opportunities and training opportunities. Property taxes decreased \$5,929,255 from the prior year, through the conclusion of the county funded property tax system, while state tax credits decreased \$479,210. Intergovernmental state revenues increased \$5,393,837 based on the new state funding. Direct services to consumers increased from \$7,590,747 to \$11,985,112 or by \$4,394,365, as the region's contribution for crisis services increased \$4,394,365. General Administration increased from \$1,381,456 to \$1,684,783 due to region wide service contracts.

As of June 30, 2022, the Region's governmental fund reported combined ending fund balances of \$7,599,000, an increase of \$2,450,376. \$7,599,000 is available for spending at the Region's discretion. Revenues exceeded expenditures by \$2,450,376, as the individual counties levied the maximum per capita rate, the region received new state funding of \$4.7 million, and normal services were delayed due to the Pandemic. Property taxes decreased \$2,762,183 from the prior year, while state tax credits decreased \$176,986. Direct services to consumers decreased from \$8,898,272 to \$7,590,747 or \$1,307,525, as the region contribution for crisis services with the fiscal agent decreased \$646,589 between 2022 and 2021. Decreases are related to the reduction of one time grant funding in 2021 and the delay of services in early 2022. General Administration increased from \$1,260,960 to \$1,381,456 due to region wide service contracts.

Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

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 11 and 12 of this report.

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. 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 13 through 14 of this report.

Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

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 other required supplementary information. This information can be found on pages 22 and 23 of this report.

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 decreased from \$7,601,544 to \$4,325,669. In fiscal year 2022, the activities increased from \$5,185,143 to \$7,601,544.

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

Table 1 - Eastern Iowa Mental Health and Disability Region's Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 6,328,441	\$ 8,308,705
Total assets	6,328,441	8,308,705
Current liabilities	2,022,772	707,161
Total liabilities	2,022,772	707,161
Net position:		
Restricted	4,325,669	7,601,544
Total net position	\$ 4,325,669	\$ 7,601,544

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 2023 of \$4,325,669 and 2022 of \$7,601,544 for mental health.

For 2023, \$6,160,866 of the current assets is liquid cash and investments to provide services to residents.

For 2022, \$8,293,904 of the current assets is liquid cash and investments to provide services to residents. \$2,544 is property tax receivable from one member county, all of which is delinquent and is not available for FY 22.

Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

Table 2 highlights the Region's revenues and expenses for the fiscal year ended June 30, 2024 and June 30, 2023. 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.

Table 2 -Eastern Iowa Mental Health and Disability Services Region's Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ 55,866
Operating grants and contributions	10,159,751	4,765,914
General revenues:		
Taxes:		
Property taxes	-	5,895,280
Other taxes	-	109,943
State tax replacement credits	-	479,210
Investment earnings	305,371	(1,332)
Miscellaneous	9,734	105,577
Total revenues	10,474,856	11,410,458
Expenses:		
Mental health	13,750,731	8,994,057
Total expenses	13,750,731	8,994,057
Increase (decrease) in net position	(3,275,875)	2,416,401
Net position, beginning	7,601,544	5,185,143
Net position, ending	\$ 4,325,669	\$ 7,601,544

The Region's total net position decreased by \$3,275,875 during the fiscal year 2023. 97% or \$10,159,751 of region resources were provided through operating grants and contributions, specifically new general state funding due to change in legislation. 3% or \$315,105 are general revenue to support mental health services.

The Region's total net position increased by \$2,416,401 during the fiscal year 2022. Charges for services represented 0.5% or \$55,866, of activity. 42% or \$4,765,914 of region resources were provided through operating grants and contributions, specifically new general state funding due to change in legislation. 57.5% or \$6,588,678 are general revenue to support mental health services. The expected funding allocations that changed in FY 2023 is due to legislative changes (SF 619). Every county was forced to reduce mental health levies to \$0.00 per capita and the state provided funding 100% of the general support of the region.

Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

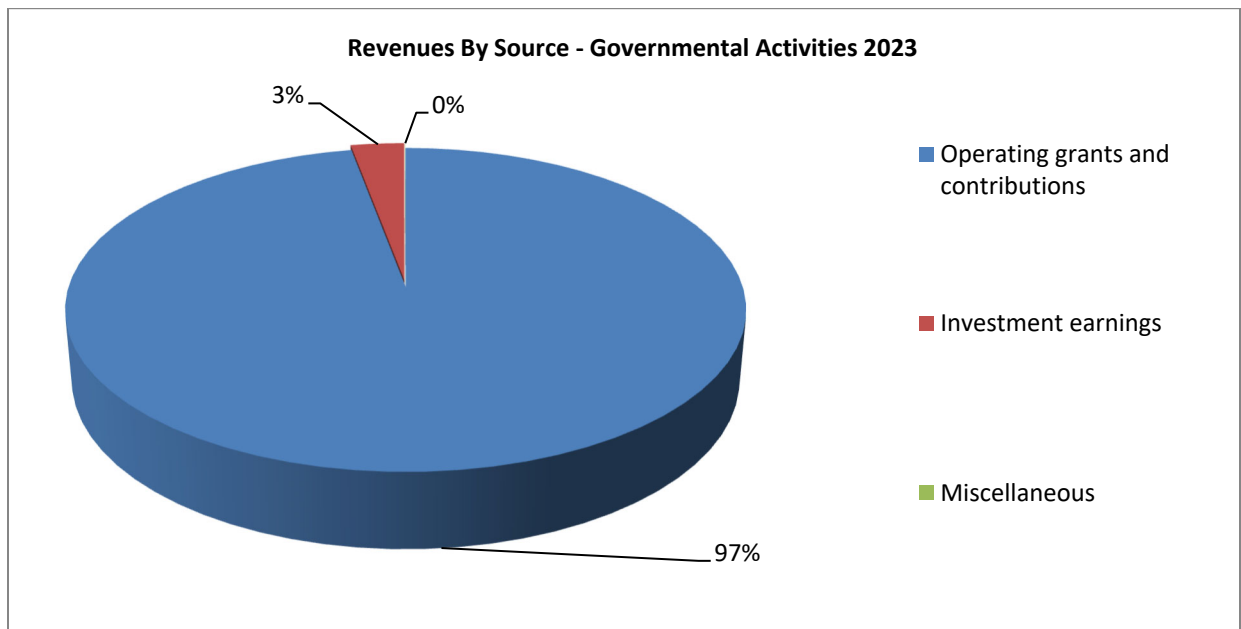
Table 3 below discloses cost of services for governmental activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by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

Table 3 - Eastern Iowa Mental Health and Disability Services's Governmental Activities

Programs	Total Cost of 2023	Total Cost of 2022	Net (Expense) of Services 2023	Net (Expense) of Services 2022
Mental health	\$ 13,750,731	\$ 8,994,057	\$ (3,590,980)	\$ (4,172,277)
Total	\$ 13,750,731	\$ 8,994,057	\$ (3,590,980)	\$ (4,172,277)

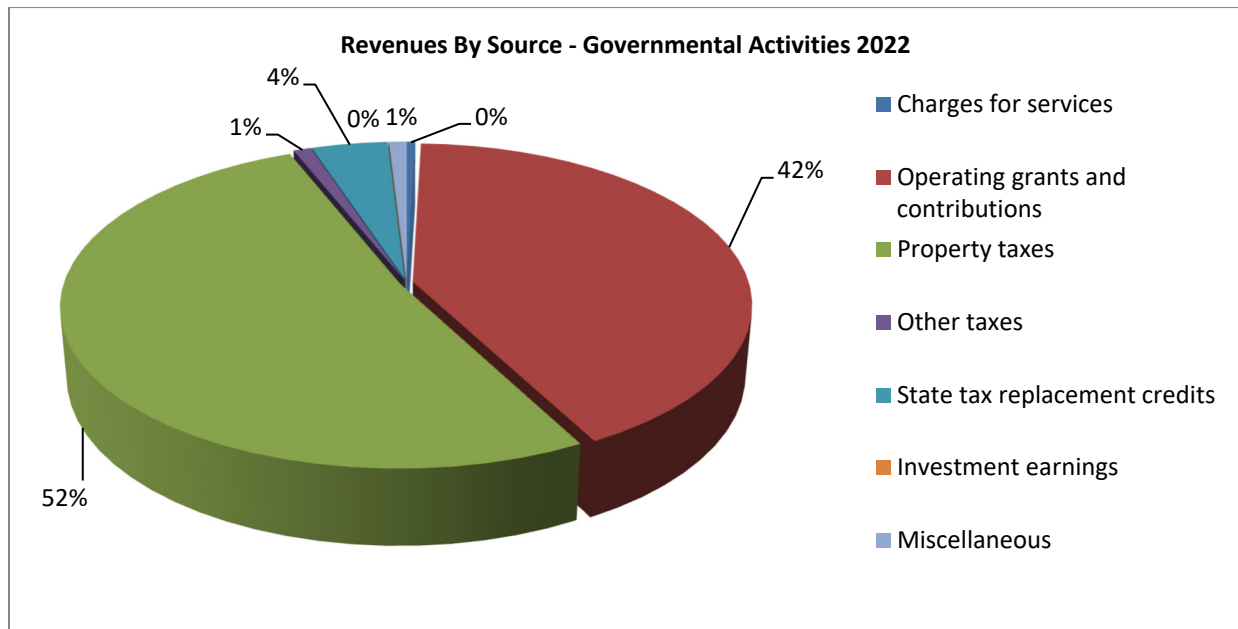
Net cost of services is 26 percent of total cost of services in 2023 and 46 percent of total cost of services in 2022.

The graphs below show the percentage of the total governmental activities revenues allocated by each revenue type for 2023 and 2022.



Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023



Financial Analysis of the Government's Funds

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

Governmental funds: The Region's 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.

Budgetary Highlights

Formal and legal budgetary control is based on nonmajor classes of disbursements known as functions or disability groups, not by fund or fund type. The Region amended the budgeted expenditures by \$1,672,931 to draw down fund balance for one time projects.

During the year, actual expenditures were less than total budgeted expenditures by \$4,919,498.

Economic Factors and Next Year's Budgets and Rates

- FY23 was a challenging year due to the requirement of only 20% carry forward (fund balance) by June 30, 2023. The region did not meet the requirement and future funding will be reduced in FY 2024. Providers are nervous about starting new programs when funding is not guaranteed beyond FY25. Staffing shortages have also created problems for providers wanting to start new programs.
- At the end of the 2023 Legislative session, HF471 was passed. This resulted in changes to the regional governance structure and voting requirements. The legislation also added a new core services: Outpatient Competency Restoration. Effective July 1, 2023 all members of the Governing Board have voting rights and two new members will be added to the board, representing the judicial system and law enforcement. The region may apply for encumbrance approval for the new services.

Eastern Iowa Mental Health and Disability Services Region

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

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 4th Street, Davenport, Iowa 52801-1003.

BASIC FINANCIAL STATEMENTS

Eastern Iowa Mental Health Disability Services Region

Statement of Net Position
As of June 30, 2023

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and investments	\$ 6,160,866
Receivables:	
Accrued interest	46,145
Prepays	121,430
Total current assets	<u>6,328,441</u>
Total assets	<u>\$ 6,328,441</u>
Liabilities and Net Position	
Liabilities:	
Accounts payable	\$ 2,002,772
Total liabilities	<u>2,002,772</u>
Net position:	
Restricted for:	
Mental health	4,325,669
Total net position	<u>4,325,669</u>
Total liabilities and net position	<u>\$ 6,328,441</u>

See Notes to Basic Financial Statements

Eastern Iowa Mental Health Disability Services Region

Statement of Activities
For the Year Ended June 30, 2023

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental activities:				
Mental health	\$ 13,750,731	\$ -	\$ 10,159,751	\$ (3,590,980)
Total governmental activities	\$ 13,750,731	\$ -	\$ 10,159,751	\$ (3,590,980)
General Revenues				
Investment earnings				305,371
Miscellaneous				9,734
Total general revenues				315,105
Changes in net position				(3,275,875)
Net position, beginning of year				7,601,544
Net position, end of year				<u>\$ 4,325,669</u>

See Notes to Basic Financial Statements.

Eastern Iowa Mental Health Disability Services Region

Balance Sheet
 Governmental Funds
 As of June 30, 2023

	Mental Health Fund
Assets	
Cash and investments	\$ 6,160,866
Receivables:	
Accrued interest	46,145
Prepays	121,430
Total assets	\$ 6,328,441
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 2,002,772
Total liabilities	2,002,772
Fund balances :	
Nonspendable - Prepays	121,430
Restricted for mental health purposes	4,204,239
Total fund balances	4,325,669
Total liabilities and fund balances	
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.	-
Net position of governmental activities	\$ 4,325,669

See Notes to Basic Financial Statements

Eastern Iowa Mental Health Disability Services Region

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2023

	Mental Health Fund
Revenues:	
State intergovernmental revenues	\$ 10,159,751
Investment earnings	305,371
Other	12,278
Total revenues	<u>10,477,400</u>
Expenditures:	
Services to persons with:	
Mental illness	11,646,486
Intellectual disability	226,938
Other developmental disabilities	85,763
Brain injury	25,925
Total direct services to consumers	<u>11,985,112</u>
Government services to residents	
Direct administration	872,308
Purchased administration	812,475
Total general administration	<u>1,684,783</u>
County provided case management	80,836
Total Expenditures	<u>13,750,731</u>
Excess (deficiency) of revenues over expenditures	(3,273,331)
Fund balances, beginning of year	7,599,000
Fund balances, end of year	<u>\$ 4,325,669</u>
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.	<u>(2,544)</u>
Change in net position of governmental activities	<u>\$ (3,275,875)</u>

See Notes to Basic Financial Statements.

Eastern Iowa Mental Health and Disability Region

Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2023

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 Chapter 28 under 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 each entered into this 28E agreement between March 13-25, 2014, to create a mental health and disability services regional administrative entity per Iowa code 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 Supervisor member from each member county. In FY23, the Governing Board also included one individual who utilizes mental health and disability services or is an actively involved relative of such an individual, a parent or actively involved family member of a child who utilizes behavioral health services, an individual who represents adult service providers, an individual who represents children’s behavioral health providers, and an individual who represents education. The two providers on the Governing Board were non-voting members. The Region continues to designate Scott County as the fiscal agent for the Region accounting for the funds of the organization.

In June 2021, the State of Iowa adopted Senate file 619 which required the Region to consolidate financial information into a shared fiscal agent fund as by June 30, 2022. The State of Iowa changed the funding model from primarily property tax support to 100% state funded in fiscal year 2023. The member counties fund balances in the County Mental Health funds were closed as of June 30, 2022.

The per capita amount for FY23 was \$38.00. Funding was sent to the Region on a quarterly basis, totaling approximately \$11.4 million. The State also limited fund balance amounts regions could hold each year starting with FY22, no more than 40%; FY23, no more than 20%; and FY24, no more than 5%. If the Region was over the percentage limit, the State would withhold the dollar amount over the percentage amount in the next fiscal year during the last 2 quarterly payments. In FY22 and FY23, the State entered into performance based contracts with each Region. The contract expectations of the Regions included consistent data collection, implementation of all core crisis services, submission of accurate quarterly performance measures, and attendance/participation at required meetings.

Also in FY23 the Region expanded several children’s behavioral health services, addressing children and their families in crisis. The Region also invested in several trainings, focusing on crisis intervention, trauma informed care, and sequential intercepts for children.

The Region’s financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. FY2023 was the first year the organization operated as a single operating fund. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

In accordance with statements of understanding between the Region’s Board of Directors and each individual member county board of supervisors, the Region contracts for services with the individual member counties and has no employees.

Eastern Iowa Mental Health and Disability Region

Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2023

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

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 reported 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.

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 and liabilities, 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.

Eastern Iowa Mental Health and Disability Region

Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2023

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

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.

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 fund:

General Fund:

Mental Health Fund: This fund is used to account for the state regional service payments and other revenues to provide services to community-based, person-centered mental health and disability services system.

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. 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 within 90 days after year-end.

All revenue items are considered to be measurable and available only when cash is received by the Region.

Eastern Iowa Mental Health and Disability Region

Notes to Basic Financial Statements

As of and For the Year Ended June 30, 2023

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 Region funds, as they maintain their cash and investment balances in a pooled account with Scott County, their fiscal agent. Accounting records are maintained to show the portion of the pooled account attributable the Region.

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.

Prepaid items: Prepaid items, i.e. secondary insurance, and contracted service agreements, are charged to expenditure accounts when consumed.

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 deferred inflow 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, 2023

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

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

- Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained.
- 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.

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 Region would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Budgetary information: The Region budget is prepared using the same accounting basis and practices used to account for and prepare financial reports for the funds; thus, budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. The Region budgets on a consolidated basis.

The Region uses the following procedures when establishing their operational budget. Prior to January 31, the budget is developed by the Chief Executive Officer with the management leadership team. The Chief Executive Officer then presents a budget, which includes all services to the Regional governing board for adoption by April 1. After budget adoption, it is reviewed and certified by the Iowa Department of Human Services as part of the Annual Service Plan.

The budget may be amended by majority of the Region Board. Encumbrances are not recognized in the budget and appropriations lapse at year-end.

The legal level of control is at the program expenditure level, which is the function level.

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, 2023

Note 2. Deposits and Investments

As of June 30, 2023 the Region's cash and investments were as follows:

Cash on hand and deposits with financial institutions - Fiscal Agent	\$ 6,160,866
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The Region follow's Scott County, Iowa's Investment Policy as Scott County is the fiscal agent of the Region.

The Region maintains commingled deposits and investments with the Fiscal Agent. The custodial credit risk, credit risk, concentration of credit risk, interest rate risk or any other investment risk, as applicable, pertaining specifically to the Region's resources cannot be determined. Please refer to the financial statements of the Fiscal Agent for information on overall deposit and investment risks.

Note 3. 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 risks have not exceeded commercial insurance coverage for the past year.

REQUIRED SUPPLEMENTARY INFORMATION

Eastern Iowa Mental Health Disability Services Region

Required Supplementary Information
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2023

	Budget		Actual - Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 11,388,296	\$ 11,388,296	\$ 10,159,751	\$ (1,228,545)
Investment earnings	-	-	305,371	305,371
Other	-	-	12,278	12,278
Total revenues	11,388,296	11,388,296	10,477,400	(910,896)
Expenditures				
Current:				
Mental illness	14,909,465	16,510,696	11,646,486	4,864,210
Intellectual disability	221,000	221,000	226,938	(5,938)
Other developmental disabilities	132,000	132,000	85,763	46,237
Vocational & Day Services	3,000	3,000	106,761	(103,761)
Administration	1,731,833	1,803,533	1,684,783	118,750
Total expenditures	16,997,298	18,670,229	13,750,731	4,919,498
Excess (deficiency) of revenues over expenditures	(5,609,002)	(7,281,933)	(3,273,331)	4,008,602
Net change in fund balances	\$ (5,609,002)	\$ (7,281,933)	\$ (3,273,331)	\$ 4,008,602

See Independent Auditors' Report and Note to Required Supplementary Information.

Eastern Iowa Mental Health and Disability Region

Notes to Required Supplementary Information As of and For the Year Ended June 30, 2023

Note 1. Budgetary Comparison Schedule

The Region budget is prepared using the same accounting basis and practices used to account for and prepare financial reports for the funds; thus, budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

The Region uses the following procedures when establishing their operational budget. Prior to January 31, the budget is developed by the Chief Executive Officer with the management leadership team. The Chief Executive Officer then presents a budget, which includes all services to the Regional governing board for adoption by April 1. After budget adoption, it is reviewed and certified by the Iowa Department of Human Services as part of the Annual Service Plan.

The budget may be amended by majority of the Region Board. Encumbrances are not recognized in the budget and appropriations lapse at year-end.

The legal level of control is at the program expenditure level, which is the functional level.

COMPLIANCE SECTION

**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 of
Eastern Iowa Mental Health and Disability Services Region

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 (*Government Auditing Standards*), the financial statements of the governmental activities, and the major fund of the Eastern Iowa Mental Health and Disability Services Region (the Region), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Region's basic financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Region's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
December 13, 2023

Eastern Iowa Mental Health and Disability Services Region

Schedule of Findings and Responses

Year Ended June 30, 2023

Finding Related to the Financial Statements

Internal Control Deficiencies

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

Instances of Non-Compliance

No matters were noted.

Other Findings Related to Required Statutory Reporting

2023-A Minutes

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

2023-B Travel Expense

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

2023-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.

2023-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.

2023-E Restricted Donor Activity

No transactions were noted between the Region, Region officials, Region workers and restricted donors in compliance with Chapter 68B of the Code of Iowa.