

ROLLING HILLS COMMUNITY SERVICES REGION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SCHEDULE OF FINDINGS

JUNE 30, 2015

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ROLLING HILLS COMMUNITY SERVICES REGION

REGIONAL GOVERNANCE BOARD

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Rick Hecht	Board Chair	Sac County Board of Supervisors
Paul Merten	Vice Chair	Buena Vista County Board of Supervisors
Scott Jacobs	Board Member	Calhoun County Board of Supervisors
Neil Bock	Board Member	Carroll County Board of Supervisors
Dennis Bush	Board Member	Cherokee County Board of Supervisors
Cecil Blum	Board Member	Crawford County Board of Supervisors
Curtis Phillips	Board Member	Ida County Board of Supervisors
Pat Laursen	Non-Voting Ex-Officio Board Member	
Pam Haberl	Non-Voting Ex-Officio Board Member	
Dawn Mentzer	Chief Executive Officer	

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Regional Governance Board of
Rolling Hills Community Services Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Rolling Hills Community Services Region, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Region's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Mental Health Funds of Carroll County, Crawford County and Ida County, which represent 18.8%, 10.5% and 4.5%, respectively, of the assets, 20.7%, 11.9% and 3.8%, respectively, of the fund balance and 4.7%, 19.3% and 11.4%, respectively, of the revenues included in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, respectively. Those Mental Health Funds were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carroll County, Crawford County and Ida County, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

Basis for Adverse Opinion on Governmental Activities

As discussed in 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 the liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of 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.

Also, as discussed in Note 4 to the financial statements, management has not recorded a liability for other postemployment benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. U.S. generally accepted accounting principles require the Region's annual OPEB costs based on the annual required contribution of the Region, 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.

In addition, as discussed in 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. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of governmental activities has not been determined.

Basis for Qualified Opinion on Crawford County Mental Health Fund

As noted in the third paragraph of this report, Crawford County was audited by another auditor, and our opinion on this fund is based solely on this auditor's report which was furnished to us. This auditor gave a qualified opinion on this fund because the financial statements did not include an estimate of a other postemployment benefits (OPEB) liability for the implicit health insurance premium rate subsidy.

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 Rolling Hills Community Services Region, as of June 30, 2015, or the changes in financial position thereof for the year ended in accordance with U.S. generally accepted accounting principles.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Crawford County Mental Health Fund" paragraph above, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of Crawford County Mental Health Fund presents fairly, in all material respects, the financial position of Crawford County Mental Health Fund as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund, except Crawford County Mental Health Fund, present fairly, in all material respects, the financial position of Rolling Hills Community Services Region, as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of Rolling Hills Community Services Region's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Rolling Hills Community Services Region's internal control over financial reporting and compliance.

Hungelman, Putzier & Co., PLLC

June 22, 2016

ROLLING HILLS COMMUNITY SERVICES REGION
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash, cash equivalents and pooled investments	\$ 7,171,583
Receivables:	
Property tax:	
Delinquent	3,848
Succeeding year	862,219
Accounts	2,527
Accrued interest	1,700
Due from other governments	114,227
Prepaid expenses	<u>6,126</u>
Total assets	<u>8,162,230</u>
<u>LIABILITIES</u>	
Accounts payable	80,223
Salaries and benefits payable	12,036
Due to other governments	<u>73,102</u>
Total liabilities	<u>165,361</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable property tax revenue	<u>862,219</u>
<u>NET POSITION</u>	
Restricted for mental health purposes	<u>\$ 7,134,650</u>

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES REGION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Exhibit B

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
Governmental activities:				
Mental health	\$ 2,301,221	\$ 3,729	\$ 687,186	\$ (1,610,306)
General Revenues:				
Property and other county tax levied for: mental health purposes				2,070,871
State tax credits				143,700
Unrestricted investment earnings				14,138
Miscellaneous				15,609
Special item - initial contributions from member counties				6,500,638
Total general revenues and special item				8,744,956
Change in net position				7,134,650
Net position beginning of year				-
Net position end of year				\$ 7,134,650

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES REGION
BALANCE SHEET
JUNE 30, 2015

Exhibit C

	Mental Health Funds									Region Total
	Fiscal Agent	Buena Vista County	Calhoun County	Carroll County	Cherokee County	Crawford County	Ida County	Sac County	Elimination Entries	
<u>ASSETS</u>										
Cash, cash equivalents and pooled investments	\$ 2,500,499	\$ 736,597	\$ 382,907	\$ 1,532,401	\$ 598,100	\$ 854,930	\$ 235,380	\$ 330,769	-	\$ 7,171,583
Receivables:										
Property tax:										
Delinquent	-	704	1,996	-	-	-	-	1,148	-	3,848
Succeeding year	-	231,591	195,748	-	-	-	93,000	341,880	-	862,219
Accounts	-	1,780	-	-	747	-	-	-	-	2,527
Accrued interest	1,700	-	-	-	-	-	-	-	-	1,700
Due from member counties	39,017	-	-	-	-	-	-	-	(39,017)	-
Due from other governments	7,495	4,151	40,300	5,172	21,932	-	35,177	-	-	114,227
Prepaid expenses	-	2,394	1,674	-	437	-	-	1,621	-	6,126
Total assets	<u>\$ 2,548,711</u>	<u>\$ 977,217</u>	<u>\$ 622,625</u>	<u>\$ 1,537,573</u>	<u>\$ 621,216</u>	<u>\$ 854,930</u>	<u>\$ 363,557</u>	<u>\$ 675,418</u>	<u>\$ (39,017)</u>	<u>\$ 8,162,230</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 80,151	\$ 4,400	\$ 3,363	\$ 71	\$ -	\$ -	\$ -	\$ -	\$ (7,762)	\$ 80,223
Salaries and benefits payable	5,171	972	2,858	-	-	3,035	-	-	-	12,036
Due to other governments	14,666	4,151	-	63,608	21,932	-	-	-	(31,255)	73,102
Total liabilities	<u>99,988</u>	<u>9,523</u>	<u>6,221</u>	<u>63,679</u>	<u>21,932</u>	<u>3,035</u>	<u>-</u>	<u>-</u>	<u>(39,017)</u>	<u>165,361</u>
Deferred inflows of resources:										
Unavailable revenues:										
Succeeding year property tax	-	231,591	195,748	-	-	-	93,000	341,880	-	862,219
Other	-	704	1,996	-	-	-	-	1,148	-	3,848
Total deferred inflows of resources	<u>-</u>	<u>232,295</u>	<u>197,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,000</u>	<u>343,028</u>	<u>-</u>	<u>866,067</u>
Fund balances:										
Nonspendable:										
Prepaid expenses	-	2,394	1,674	-	437	-	-	1,621	-	6,126
Restricted for mental health purposes	<u>2,448,723</u>	<u>733,005</u>	<u>416,986</u>	<u>1,473,894</u>	<u>598,847</u>	<u>851,895</u>	<u>270,557</u>	<u>330,769</u>	<u>-</u>	<u>7,124,676</u>
Total fund balances	<u>2,448,723</u>	<u>735,399</u>	<u>418,660</u>	<u>1,473,894</u>	<u>599,284</u>	<u>851,895</u>	<u>270,557</u>	<u>332,390</u>	<u>-</u>	<u>7,130,802</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,548,711</u>	<u>\$ 977,217</u>	<u>\$ 622,625</u>	<u>\$ 1,537,573</u>	<u>\$ 621,216</u>	<u>\$ 854,930</u>	<u>\$ 363,557</u>	<u>\$ 675,418</u>	<u>\$ (39,017)</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.

3,848

Net position of governmental activities \$ 7,134,650

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES REGION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

Exhibit D

	Fiscal Agent	Mental Health Funds							Elimination Entries	Region Total
		Buena Vista County	Calhoun County	Carroll County	Cherokee County	Crawford County	Ida County	Sac County		
Revenues:										
Property and other County tax	\$ -	\$ 285,050	\$ 405,260	\$ -	\$ 200,060	\$ 447,718	\$ 276,543	\$ 452,392	\$ -	\$ 2,067,023
Intergovernmental revenues										
State tax credits	-	19,110	29,035	-	13,039	27,936	21,785	32,795	-	143,700
Payments from member counties	4,370,072	-	-	-	-	-	-	-	(4,370,072)	-
Mental health and disability services equalization	72,114	-	-	-	-	-	-	-	304,078	376,192
Mental health and disability services transition	-	304,078	36,937	-	-	-	-	-	(341,015)	-
Social services block grant	136,500	17,411	14,107	21,696	74,708	6,533	35,177	-	(169,632)	136,500
Medicaid	-	37,642	-	-	-	-	-	59,427	56,677	153,746
Other intergovernmental revenues	13,760	153,404	79,640	61,010	20,923	84,127	-	-	(392,116)	20,748
Total intergovernmental revenues	4,592,446	531,645	159,719	82,706	108,670	118,596	56,962	92,222	(4,912,080)	2,897,909
Charges for service	-	3,550	-	-	-	-	-	179	-	3,729
Use of money and property	14,138	-	-	-	-	-	-	-	-	14,138
Miscellaneous	115	-	-	53,688	1,117	86	-	-	(39,397)	15,609
Total revenues	4,606,699	820,245	564,979	136,394	309,847	566,400	333,505	544,793	(4,951,477)	2,931,385
Expenditures:										
Services to persons with:										
Mental illness	1,379,230	55,404	1,688	96	-	4,769	834	479	-	1,442,500
Intellectual disability	347,325	-	-	24,670	-	-	-	-	(16,524)	355,471
Other developmental disabilities	57,368	-	-	-	-	-	-	-	-	57,368
Total direct services to consumers	1,783,923	55,404	1,688	24,766	-	4,769	834	479	(16,524)	1,855,339
General administration										
Direct administration	228,576	188,255	113,109	37,378	28,508	83,439	7,861	3,302	(374,586)	315,842
Purchased administration	73,363	-	-	-	-	-	-	-	-	73,363
Distribution to MHDS regional fiscal agent	-	989,583	483,503	1,038,325	391,936	824,775	336,160	480,648	(4,544,930)	-
Fiscal agent reimbursement to member counties	72,114	-	-	-	-	-	-	-	(72,114)	-
Total general administration	374,053	1,177,838	596,612	1,075,703	420,444	908,214	344,021	483,950	(4,991,630)	389,205
County provided case management	-	-	-	-	-	-	-	-	56,677	56,677
Total mental health, intellectual disabilities and developmental disabilities expenditures	2,157,976	1,233,242	598,300	1,100,469	420,444	912,983	344,855	484,429	(4,951,477)	2,301,221
Excess (deficiency) of revenues over (under) expenditures	2,448,723	(412,997)	(33,321)	(964,075)	(110,597)	(346,583)	(11,350)	60,364	-	630,164
Special item - initial contributions from member counties	-	1,148,396	451,981	2,437,969	709,881	1,198,478	281,907	272,026	-	6,500,638
Net change in fund balances	2,448,723	735,399	418,660	1,473,894	599,284	851,895	270,557	332,390	-	7,130,802
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$2,448,723	\$ 735,399	\$ 418,660	\$ 1,473,894	\$ 599,284	\$ 851,895	\$ 270,557	\$ 332,390	\$ -	7,130,802

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

Change in net position of governmental activities

3,848
\$ 7,134,650

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

Rolling Hills Community Services Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Buena Vista, Calhoun, Carroll, Cherokee, Crawford, Ida, and Sac. The member counties entered into this 28E agreement on July 1, 2014 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 at least one board of supervisors' member, or their designees, 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 and one individual representing service providers in the Region, both serving in a nonvoting, ex officio capacity.

Rolling Hills Community Services Region designated Buena Vista County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

Except as noted in the Independent Auditor's Report, 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 Rolling Hills Community Services 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.

A. Reporting Entity

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

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation

Entity-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of 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 or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

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

The Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) 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 are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

C. Measurement Focus and Basis of Accounting

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

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

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

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting – (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.

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

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

Cash, Cash Equivalents, and Pooled Investments - The cash balances of most Region funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or the member county mental health fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

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

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

Property tax revenues recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013, assessed property valuations; is for the tax accrual period July 1, 2014, through June 30, 2015; and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2014.

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Due from and Due to Other Members – During the course of its operations, the Region has numerous transactions between member counties. To the extent certain transactions between member counties had not been paid or received as of June 30, 2015, balances of member county interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

Prepaid expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements on the consumption method.

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.

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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

(2) Cash and Investments

The Region's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) Special Item – Initial Contributions from Member Counties

Rolling Hills Community Services 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.

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

In accordance with statements of understanding between the Regional Governance Board and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff, except mental health advocates, 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. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items on the governmental activities financial statements. The Region's governmental activities financial statements do not report these amounts.

(5) Risk Management

Rolling Hills Community Services Region is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The region's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The region's contributions to the Pool for the year ended June 30, 2015 were \$7,034.

ROLLING HILLS COMMUNITY SERVICES REGION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(5) Risk Management – (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the region's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the region's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the region's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The region does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the region's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

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TAMMY M. CARLSON, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Regional Governance Board of
Rolling Hills Community Services Region:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the financial statements of the governmental activities and each major fund of Rolling Hills Community Services Region as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated June 22, 2016. Our report expressed unmodified opinions on the financial statements of each major fund, except Crawford County Mental Health Fund. Our report expressed a qualified opinion on the financial statements of the Crawford County Mental Health Fund due to another auditor's report on these financial statements. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Mental Health Funds of Carroll County, Crawford County and Ida County, as described in our report on Rolling Hills Community 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 Rolling Hills Community Services Region's internal control over financial reporting to determine the audit procedures 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 Rolling Hills Community Services Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Rolling Hills Community Services Region's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Rolling Hills Community Services Region's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 & I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rolling Hills Community Services Region's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the 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 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.

Rolling Hills Community Services Region's Responses to the Findings

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

Purpose of this Report

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

Hungelman, Putzier & Co., PLC

June 22, 2016

ROLLING HILLS COMMUNITY SERVICES REGION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, voiding transactions, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices. This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. The Regional Governance Board should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Region Board Members. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – All claims listings are forwarded to the Governance Board members for their review on a monthly basis and we are fully aware that we can access the claims at any time if deemed necessary. Through review of the monthly claims listings, we have questioned certain claims that seemed incorrect or appeared to be paid at a higher cost than what we considered reasonable. We will consider implementing a strategy to ensure that we sign off on claims and financials on a regular basis.

Conclusion – Response accepted.

I-B-15 Mental Health Financial Reporting – Elimination entries are necessary to reduce revenues and expenditures in Rolling Hills Community Services Region’s annual report for financial activity occurring between Rolling Hills Community Services Region’s fiscal agent and the member counties. The Uniform Chart of Accounts for Iowa County Governments provides for the coding necessary for identifying the elimination activity. During the audit, we identified transactions between Rolling Hills’ fiscal agent (Buena Vista County) and member counties which were not properly coded. Adjustments were subsequently made by Rolling Hills Community Services Region’s fiscal agent to properly report and eliminate these transactions in the financial statements.

Recommendation – Rolling Hills Community Services Region should establish procedures to monitor the coding of mental health revenues and expenditures in accordance with the Uniform Chart of Accounts for Iowa County Governments by the region’s fiscal agent and the individual member counties to ensure proper reporting in Rolling Hills Community Services Region’s financial statements.

Response – Our Chief Executive Officer has begun to complete all of the individual county budgets and also monitors the county expenditures for Fund 10 monthly as well as the regional expenditures. These budgets are tracked in a spreadsheet to ensure that there were no duplicated payments, chart of account code errors or items paid out of Fund 10 or Fund 4150 that should have been paid out of another service area.

Conclusion – Response accepted.

ROLLING HILLS COMMUNITY SERVICES REGION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not. Minutes were not preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa. Minutes were not published within 20 days following the adjournment of the meeting in accordance with Chapter 28E.6 of the Code of Iowa.

Recommendation – The Region should ensure all Board meetings are preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa. The Region should ensure Board minutes are published within 20 days following the adjournment of the meeting in accordance with Chapter 28E.6 of the Code of Iowa.

Response – The Regional Board Meeting Notices are currently on the Region’s website link. In addition, we will begin to post the meeting notices in the Sac County Courthouse where the regular meetings are held. The meeting minutes are currently on the Region’s website link. In addition, we will select one newspaper within the region where the minutes will be published within 20 days following the adjournment of the meeting in accordance with Chapter 28E.6 of the Code of Iowa.

Conclusion – Response accepted.

II-B-15 Travel Expense - No expenditures of Region money for travel expense of spouses of Region officials or employees were noted.

II-C-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Region’s investment policy were noted.

II-D-15 Questionable Disbursements- No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.