

SOUTHEAST IOWA LINK
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

SOUTHEAST IOWA LINK

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SOUTHEAST IOWA LINK

REGIONAL GOVERNANCE BOARD

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Rick Larkin	Board Chair	Lee County Board of Supervisors
Jack Seward, Jr.	Vice Chair	Washington County Board of Supervisors
Marc Lindeen	Secretary/Treasurer	Henry County Board of Supervisors
Tom Broeker	Board Member	Des Moines County Board of Supervisors
Becky Schmitz	Board Member	Jefferson County Board of Supervisors
Michael Berg	Board Member	Keokuk County Board of Supervisors
Randy Griffin	Board Member	Louisa County Board of Supervisors
Mark Meek	Board Member	Van Buren County Board of Supervisors
Kristin Helm	Non-Voting Ex-Officio Board Member	
Merlin Hellman	Non-Voting Ex-Officio Board Member	



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Bradley T. Barnes, CPA

INDEPENDENT AUDITOR'S REPORT

To the Regional Governance Board of
Southeast Iowa Link:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southeast Iowa Link, 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 Henry, Lee, Louisa, Van Buren and Washington Counties in Iowa, which represent 16.2%, 25.4%, 8.2%, 2.7% and 8.6%, respectively, of the assets, 15.7%, 23.8%, 7.8%, 3.0% and 8.8%, respectively, of the fund balance and 11.6%, 32.1%, 7.0%, 2.7% and 6.3%, 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 Henry, Lee, Louisa, Van Buren and Washington Counties in Iowa, 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 that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of 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 deferred 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.

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 Southeast Iowa Link, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Southeast Iowa Link, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Iowa Link's basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2016 on our consideration of Southeast Iowa Link'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 or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southeast Iowa Link's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
June 29, 2016

BASIC FINANCIAL STATEMENTS

SOUTHEAST IOWA LINKSTATEMENT OF NET POSITIONJUNE 30, 2015Governmental
ActivitiesASSETS:

Cash, cash equivalents and pooled investments	\$ 13,278,405
Receivables:	
Property tax:	
Delinquent	17,488
Succeeding year	4,702,836
Accounts	22,750
Due from other governments	253,609
Prepaid expenses	274
Total assets	<u>18,275,362</u>

LIABILITIES:

Accounts payable	252,218
Salaries and benefits payable	13,584
Due to other governments	83,926
Total liabilities	<u>349,728</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue	<u>4,702,836</u>
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NET POSITION:

Restricted for mental health purposes	\$ <u>13,222,798</u>
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SOUTHEAST IOWA LINK

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating Grants,</u>	<u>Revenue and</u>
		<u>for Service</u>	<u>Contributions and</u>	<u>Changes in</u>
			<u>Restricted Interest</u>	<u>Net Position</u>
Governmental activities:				
Mental health	\$ <u>3,995,698</u>	\$ -	\$ <u>1,805,325</u>	\$ (2,190,373)
General revenues:				
Property and other County tax levied for tax levied for mental health purposes				5,358,453
State tax credits				433,857
Unrestricted investment earnings				4,798
Miscellaneous				103,743
Special item - initial contributions from member counties				<u>9,512,320</u>
Total general revenues and special item				<u>15,413,171</u>
 Change in net position				 13,222,798
 <u>NET POSITION - Beginning of year</u>				 <u>-</u>
 <u>NET POSITION - End of year</u>				 \$ <u>13,222,798</u>

SOUTHEAST IOWA LINK

BALANCE SHEET
JUNE 30, 2015

	<u>Mental Health Funds</u>		
	<u>Fiscal Agent</u>	<u>Des Moines County</u>	<u>Henry County</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 685,112	\$ 3,305,964	\$ 2,091,110
Cash held by the health plan trustee	-	-	24,037
Receivables:			
Property tax:			
Delinquent	-	6,261	1,986
Succeeding year	-	1,365,046	835,802
Accounts	312	-	6,438
Due from other governments	-	29,635	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 685,424	\$ 4,706,906	\$ 2,959,373
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> <u>AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 24,815	\$ 49,643	\$ 54,541
Salaries and benefits payable	-	1,384	-
Due to other governments	-	18,258	-
TOTAL LIABILITIES	24,815	69,285	54,541
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable revenues:			
Succeeding year property tax	-	1,365,046	835,802
Other	-	6,261	1,929
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,371,307	837,731
<u>FUND BALANCES:</u>			
Nonspendable:			
Prepaid expenses	-	-	-
Restricted for mental health purposes	660,609	3,266,314	2,043,064
Assigned for health benefits	-	-	24,037
TOTAL FUND BALANCES	660,609	3,266,314	2,067,101
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 685,424	\$ 4,706,906	\$ 2,959,373

See Notes to Financial Statements

<u>Jefferson County</u>	<u>Keokuk County</u>	<u>Lee County</u>	<u>Louisa County</u>	<u>Van Buren County</u>	<u>Washington County</u>	<u>Region Total</u>
\$ 637,889	\$ 897,693	\$ 3,038,046	\$ 1,039,229	\$ 395,743	\$ 1,163,582	\$ 13,254,368
-	-	-	-	-	-	24,037
924	-	5,079	2,406	760	72	17,488
186,549	-	1,409,000	454,439	92,000	360,000	4,702,836
-	-	-	-	-	16,000	22,750
10,585	2,972	182,128	-	654	27,635	253,609
193	-	-	81	-	-	274
<u>\$ 836,140</u>	<u>\$ 900,665</u>	<u>\$ 4,634,253</u>	<u>\$ 1,496,155</u>	<u>\$ 489,157</u>	<u>\$ 1,567,289</u>	<u>\$ 18,275,362</u>
\$ 25,996	\$ 5,677	\$ 39,040	\$ 11,070	\$ 430	\$ 41,006	\$ 252,218
-	462	6,242	712	87	4,697	13,584
24,522	3,409	36,243	-	-	1,494	83,926
<u>50,518</u>	<u>9,548</u>	<u>81,525</u>	<u>11,782</u>	<u>517</u>	<u>47,197</u>	<u>349,728</u>
186,549	-	1,409,000	454,439	92,000	360,000	4,702,836
924	-	6,789	2,385	756	34	19,078
<u>187,473</u>	<u>-</u>	<u>1,415,789</u>	<u>456,824</u>	<u>92,756</u>	<u>360,034</u>	<u>4,721,914</u>
193	-	-	81	-	-	274
597,956	891,117	3,136,939	1,027,468	395,884	1,160,058	13,179,409
-	-	-	-	-	-	24,037
<u>598,149</u>	<u>891,117</u>	<u>3,136,939</u>	<u>1,027,549</u>	<u>395,884</u>	<u>1,160,058</u>	<u>13,203,720</u>
<u>\$ 836,140</u>	<u>\$ 900,665</u>	<u>\$ 4,634,253</u>	<u>\$ 1,496,155</u>	<u>\$ 489,157</u>	<u>\$ 1,567,289</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.

Net position of governmental activities

19,078
\$ 13,222,798

SOUTHEAST IOWA LINK

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	<u>Fiscal Agent</u>	<u>Des Moines County</u>	<u>Henry County</u>	<u>Jefferson County</u>
REVENUES:				
Property and other County tax	\$ -	\$ 1,653,843	\$ 783,431	\$ 265,709
Intergovernmental revenues				
State tax credits	-	129,954	63,793	29,483
Payments from member counties	164,072	-	-	-
Mental health and disability services equalization	750,016	-	-	-
Mental health and disability services transition	-	6,363	-	-
Social services block grant	-	45,351	26,006	33,807
Medicaid	-	43,778	-	-
Other intergovernmental revenues	-	-	-	-
Total intergovernmental revenues	<u>914,088</u>	<u>225,446</u>	<u>89,799</u>	<u>63,290</u>
Use of money and property	3,868	30	-	-
Miscellaneous	-	59,936	19,578	7,614
Total revenues	<u>917,956</u>	<u>1,939,255</u>	<u>892,808</u>	<u>336,613</u>
EXPENDITURES:				
Services to persons with:				
Mental illness	-	845,770	263,120	505,378
Intellectual disability	-	106,961	10,219	-
Other developmental disabilities	-	-	9,046	-
Total direct services to consumers	-	<u>952,731</u>	<u>282,385</u>	<u>505,378</u>
General administration				
Direct administration	234,337	103,395	147,654	11,263
Purchased administration	23,010	-	-	-
Distribution to MHDS regional fiscal agent	-	40,340	20,236	16,864
Total general administration	<u>257,347</u>	<u>143,735</u>	<u>167,890</u>	<u>28,127</u>
County provided services	-	-	4,820	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	<u>257,347</u>	<u>1,096,466</u>	<u>455,095</u>	<u>533,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>660,609</u>	<u>842,789</u>	<u>437,713</u>	<u>(196,892)</u>
Special item - initial contributions from member counties	-	2,423,525	1,629,388	795,041
Net change in fund balances	660,609	3,266,314	2,067,101	598,149
FUND BALANCES - Beginning of year	-	-	-	-
FUND BALANCES - End of year	<u>\$ 660,609</u>	<u>\$ 3,266,314</u>	<u>\$ 2,067,101</u>	<u>\$ 598,149</u>

See Notes to Financial Statements

Mental Health Funds

Keokuk County	Lee County	Louisa County	Van Buren County	Washington County	Elimination Entries	Region Total
\$ 51,003	\$ 1,575,311	\$ 506,174	\$ 189,874	\$ 314,030	\$ -	\$ 5,339,375
6,563	136,213	29,362	17,199	21,290	-	433,857
-	-	-	-	-	(164,072)	-
-	-	-	-	-	-	750,016
-	-	-	-	-	-	6,363
9,494	756,089	1,019	1,331	97,605	-	970,702
-	-	-	-	-	-	43,778
-	-	47	-	34,419	-	34,466
16,057	892,302	30,428	18,530	153,314	(164,072)	2,239,182
900	-	-	-	-	-	4,798
-	69	246	-	16,300	-	103,743
67,960	2,467,682	536,848	208,404	483,644	(164,072)	7,687,098
48,698	764,606	171,898	27,770	173,852	-	2,801,092
-	15,105	308	-	1,872	-	134,465
-	26,065	-	-	-	-	35,111
48,698	805,776	172,206	27,770	175,724	-	2,970,668
52,383	210,209	81,368	43,743	112,835	-	997,187
-	-	-	-	-	-	23,010
10,374	35,617	11,278	7,449	21,914	(164,072)	-
62,757	245,826	92,646	51,192	134,749	(164,072)	1,020,197
-	13	-	-	-	-	4,833
111,455	1,051,615	264,852	78,962	310,473	(164,072)	3,995,698
(43,495)	1,416,067	271,996	129,442	173,171	-	3,691,400
934,612	1,720,872	755,553	266,442	986,887	-	9,512,320
891,117	3,136,939	1,027,549	395,884	1,160,058	-	13,203,720
-	-	-	-	-	-	-
\$ 891,117	\$ 3,136,939	\$ 1,027,549	\$ 395,884	\$ 1,160,058	\$ -	13,203,720

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

Change in net position of governmental activities

19,078
\$ 13,222,798

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Iowa Link 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: Des Moines, Henry, Jefferson, Keokuk, Lee, Louisa, Van Buren and Washington Counties in Iowa. The member counties entered into this 28E agreement on April 23, 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 two individuals whom utilize mental health and disability services or is an actively involved relative of such an individual, serving in a nonvoting, ex officio capacity.

Southeast Iowa Link designated Des Moines County, Iowa as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

The Region's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Region are intended to present the financial position and the changes in financial position of Southeast Iowa Link, 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, Southeast Iowa Link 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 statement 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.

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.

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Entity-wide financial statements (Continued)

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.

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.

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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.

Assigned – Amounts the Regional Governance Board intends to use for specific purposes.

NOTE 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.

NOTE 3: SPECIAL ITEM – INITIAL CONTRIBUTIONS FROM MEMBER COUNTIES

Southeast Iowa Link 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.

NOTE 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 of the Region remain employees of the respective individual member counties.

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4: COMPENSATED ABSENCES, OTHER POSTEMPLOYMENT BENEFITS (OPEB) AND PENSION PLAN (Continued)

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.

NOTE 5: RISK MANAGEMENT

The Organization 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 Organization'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 Organization's contributions to the Pool for the year ended June 30, 2015 were \$8,004. This amount does not include any amounts paid by the member counties.

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 official's 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 Organization'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 Organization'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 exceed the amount of risk-sharing protection provided by the Organization'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.

SOUTHEAST IOWA LINK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: RISK MANAGEMENT (Continued)

The Organization 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 Organization'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.

SUPPLEMENTARY INFORMATION

SOUTHEAST IOWA LINK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Social Services Block Grant	93.667	\$ <u>970,702</u> *

*Includes \$970,702 forwarded to subrecipients.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Link and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Bradley T. Barnes, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Regional Governance Board of
Southeast Iowa Link:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Southeast Iowa Link 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 29, 2016. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Mental Health Funds of Member Henry, Lee, Louisa, Van Buren and Washington Counties in Iowa, as described in our report on Southeast Iowa Link'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. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters of our separate audits of Des Moines, Jefferson and Keokuk Counties in Iowa.

Internal Control Over Financial Reporting

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

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 Southeast Iowa Link'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 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 Southeast Iowa Link's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Southeast Iowa Link's Responses to the Findings

Southeast Iowa Link's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Southeast Iowa Link'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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Iowa Link during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
June 29, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Regional Governance Board of
Southeast Iowa Link:

Report on Compliance for Each Major Federal Program

We have audited Southeast Iowa Link's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Southeast Iowa Link's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Southeast Iowa Link's compliance.

Opinion on Each Major Federal Program

In our opinion, Southeast Iowa Link complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
June 29, 2016

SOUTHEAST IOWA LINK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- a) A modified opinion was issued on the governmental activities financial statements. Unmodified opinions were issued on the governmental fund financial statements.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) No audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) were noted.
- g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Southeast Iowa Link did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Cost for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not.

The Code of Iowa requires that board meeting minutes be published within 20 days of the board meeting. The minutes for the fiscal year ended June 30, 2015 were not published.

Recommendation – Minutes should be published to be in compliance with the Code.

Response – We will do so from now on.

Conclusion – Response accepted.

SOUTHEAST IOWA LINK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-B-15 Travel Expense – No disbursements of Region money for travel expenses of spouses of Region officials or employees were noted.

IV-C-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.

IV-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.