

MID-IOWA BEHAVIORAL HEALTH REGION

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

JUNE 30, 2015

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MID-IOWA BEHAVIORAL HEALTH REGION

REGIONAL GOVERNANCE BOARD

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Raymie	Board Co-Chair	Marion County Board of Supervisors
Mark Doland	Board Co-Chair	Mahaska County Board of Supervisors
Jan LeBahn	Non-Voting Ex-Officio Board Member	
Rachel Peterson	Non-Voting Ex-Officio Board Member	
Julie Bak	Chief Executive Officer	

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DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Regional Governance Board of
Mid-Iowa Behavioral Health Region:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mid-Iowa Behavioral Health 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 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 other postemployment benefits (OPEB) in the 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 the 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 Mid-Iowa Behavioral Health Region, 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, 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 Mid-Iowa Behavioral Health 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

Required Supplementary Information

The Region has omitted the 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.

Going Concern

As explained in Note 6 to the financial statements, Mid-Iowa Behavioral Health Region will dissolve effective November 1, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of Mid-Iowa Behavioral Health Region’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Mid-Iowa Behavioral Health Region’s internal control over financial reporting and compliance.

Hunt & Associates, P.C.

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Basic Financial Statements

MID-IOWA BEHAVIORAL HEALTH REGION

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,946,930
Receivables:	
Property tax:	
Delinquent	3,399
Succeeding year	1,436,000
Accounts	26,919
Due from other governments	<u>105,053</u>
 Total assets	 <u>4,518,301</u>
Liabilities	
Accounts payable	205,028
Salaries and benefits payable	5,908
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	<u>15,041</u>
 Total liabilities	 <u>225,977</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>1,436,000</u>
Net Position	
Restricted for mental health purposes	\$ <u><u>2,856,324</u></u>

See notes to financial statements.

MID-IOWA BEHAVIORAL HEALTH REGION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	
Governmental Activities:				
Mental health	\$ 1,911,209	\$ 136,321	\$ 956,254	\$ (818,634)
General Revenues and Special Item:				
Property and other County tax levied for mental health purposes				1,034,723
State tax credits				68,866
Miscellaneous				1,240
Special item - initial contributions from member Counties				2,233,319
Total general revenues and special item				3,338,148
Change in net position				2,519,514
Net position beginning of year				336,810
Net position end of year				\$ 2,856,324

See notes to financial statements.

MID-IOWA BEHAVIORAL HEALTH REGION

BALANCE SHEET
June 30, 2015

	Fiscal Agent	Mental Health Funds		Elimination Entries	Region Total
		Marion County	Mahaska County		
Assets					
Cash and pooled investments	\$ 482,369	\$ 1,623,947	\$ 840,614	\$ -	\$ 2,946,930
Receivables:					
Property tax:					
Delinquent	-	2,586	813	-	3,399
Succeeding year	-	1,019,000	417,000	-	1,436,000
Accounts	-	-	26,919	-	26,919
Due from member Counties	185,381	-	-	(185,381)	-
Due from other governments	-	79,210	25,843	-	105,053
Total assets	<u>\$ 667,750</u>	<u>\$ 2,724,743</u>	<u>\$ 1,311,189</u>	<u>\$ (185,381)</u>	<u>\$ 4,518,301</u>

MID-IOWA BEHAVIORAL HEALTH REGION

BALANCE SHEET
June 30, 2015

	Fiscal Agent	Mental Health Funds		Elimination Entries	Region Total
		Marion County	Mahaska County		
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 131,146	\$ 47,864	\$ 26,018	\$ -	\$ 205,028
Salaries and benefits payable	-	700	5,208	-	5,908
Due to fiscal agent	-	159,539	25,842	(185,381)	-
Total liabilities	<u>131,146</u>	<u>208,103</u>	<u>57,068</u>	<u>(185,381)</u>	<u>210,936</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	1,019,000	417,000	-	1,436,000
Other	-	2,468	806	-	3,274
Total deferred inflows of resources	<u>-</u>	<u>1,021,468</u>	<u>417,806</u>	<u>-</u>	<u>1,439,274</u>
Fund balances:					
Restricted for mental health purposes	<u>536,604</u>	<u>1,495,172</u>	<u>836,315</u>	<u>-</u>	<u>2,868,091</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 667,750</u>	<u>\$ 2,724,743</u>	<u>\$ 1,311,189</u>	<u>\$ (185,381)</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 of resources in the governmental funds. 3,274

Compensated absences payable are not due and payable in the current year
and, therefore, are not reported as liabilities in the governmental funds. (15,041)

Net position of governmental activities \$ 2,856,324

See notes to financial statements.

MID-IOWA BEHAVIORAL HEALTH REGION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Fiscal Agent	Mental Health Funds		Elimination Entries	Region Total
		Marion County	Mahaska County		
Revenues:					
Property and other County tax	\$ -	\$ 1,031,442	\$ 7	\$ -	\$ 1,031,449
Intergovernmental revenues:					
State tax credits	-	68,866	-	-	68,866
Payments from member counties	433,193	-	-	(433,193)	-
Mental health and disability services equalization	490,154	-	-	-	490,154
Social services block grant	-	324,809	108,384	-	433,193
Medicaid	-	-	136,321	-	136,321
Other intergovernmental revenues	-	32,622	-	-	32,622
Total intergovernmental revenues	923,347	426,297	244,705	(433,193)	1,161,156
Use of money and property	285	-	-	-	285
Miscellaneous	-	208	1,032	-	1,240
Total revenues	923,632	1,457,947	245,744	(433,193)	2,194,130
Expenditures:					
Services to persons with:					
Mental illness	434,337	268,731	188,061	-	891,129
Intellectual disability	5,218	87,340	158,952	-	251,510
Other developmental disabilities	6,902	36,521	-	-	43,423
Brain injury	1,995	-	-	-	1,995
Total direct services to consumers	448,452	392,592	347,013	-	1,188,057
General administration:					
Direct administration	275,386	220,301	2,054	-	497,741
Distribution to regional fiscal agent	-	324,809	108,384	(433,193)	-
Total general administration	275,386	545,110	110,438	(433,193)	497,741
County provided case management	-	-	210,370	-	210,370
Total mental health, intellectual disabilities and developmental disabilities expenditures	723,838	937,702	667,821	(433,193)	1,896,168

MID-IOWA BEHAVIORAL HEALTH REGION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Fiscal Agent	Mental Health Funds		Elimination Entries	Region Total
	<u> </u>	<u>Marion County</u>	<u>Mahaska County</u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	\$ 199,794	\$ 520,245	\$ (422,077)	\$ -	\$ 297,962
Special item - initial contributions from member Counties	-	974,927	1,258,392	-	2,233,319
Net change in fund balances	199,794	1,495,172	836,315	-	2,531,281
Fund balances beginning of year	336,810	-	-	-	336,810
Fund balances end of year	<u>\$ 536,604</u>	<u>\$ 1,495,172</u>	<u>\$ 836,315</u>	<u>\$ -</u>	<u>\$ 2,868,091</u>
Net change in fund balances				\$	2,531,281

Amounts reported for governmental activities in the Statement of Activities are different because:

Some revenues will not be collected for several months after the Region's year end and, therefore, are not considered available revenues in the governmental funds.

3,274

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(15,041)

Change in net position of governmental activities

\$ 2,519,514

See notes to financial statements.

MID-IOWA BEHAVIORAL HEALTH REGION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Mid-Iowa Behavioral Health 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: Marion County and Mahaska County. The member Counties entered into this 28E agreement on January 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, serving in a nonvoting, ex officio capacity.

Mid-Iowa Behavioral Health Region designated Marion County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

The Region's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Region are intended to present the financial position and the changes in financial position of Mid-Iowa Behavioral Health 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, Mid-Iowa Behavioral Health Region has included all funds, organizations, agencies, boards, 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. Mid-Iowa Behavioral Health Region has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-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 nonfiduciary 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 imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

MID-IOWA BEHAVIORAL HEALTH REGION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (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 tax and other County tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported instead 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property 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.

MID-IOWA BEHAVIORAL HEALTH REGION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 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 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 receivable is recognized in the funds on the levy or lien date, which is the date that 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

MID-IOWA BEHAVIORAL HEALTH REGION

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)

Due from member Counties/Due to fiscal agent – During the course of its operations, the Region has numerous transactions between the Region and member Counties. To the extent certain transactions between the Region and member Counties had not been paid or received as of June 30, 2015, balances of due from member Counties and due to fiscal agent 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.

Compensated Absences – Region and individual member County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015.

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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:

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.

MID-IOWA BEHAVIORAL HEALTH REGION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 2. Cash and Pooled 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

Mid-Iowa Behavioral Health 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 and the Statement of Revenues, Expenditures and Changes in Fund Balances.

Note 4. Other Postemployment Benefits (OPEB) and Pension Plan

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

Note 6. Subsequent Event - Dissolution of Region

The Iowa Department of Human Services informed the Region that the Region does not meet the necessary requirements for a mental health region and the Department would not approve a waiver for the fiscal year ending June 30, 2016. Consequently, the member Counties' governing boards voted to rescind the 28E joint agreement and dissolve the Region effective November 1, 2015. Marion County and Mahaska County will be integrated into the County Rural Offices of Social Services and South Central Behavioral Health, respectively.

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

To the Regional Governance Board of
Mid-Iowa Behavioral Health Region:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mid-Iowa Behavioral Health 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 March 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 other postemployment benefits and pension related activity.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the 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 the Region's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in Part I of the accompanying Schedule of Findings, that we consider to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether Mid-Iowa Behavioral Health Region's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that 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.

Mid-Iowa Behavioral Health Region's Responses to the Findings

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

Purpose of this Report

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

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
March 29, 2016

MID-IOWA BEHAVIORAL HEALTH REGION

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-15 Mental Health Financial Reporting –Elimination entries are necessary to reduce revenues and expenditures in the Region’s annual report for financial activity occurring between the 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 the Region fiscal agent and member Counties which were not properly coded. Adjustments were subsequently made by the Region fiscal agent to properly report and eliminate these transactions in the financial statements.

Recommendation – The 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 in Iowa, both at the Region fiscal agent and the individual member County levels, to ensure proper reporting in the Region’s financial statements.

Response – We have established procedures to reconcile member County and fiscal agent activity with the Region’s financial statements.

Conclusion – Response accepted.

MID-IOWA BEHAVIORAL HEALTH REGION

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to 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. However, none of the minutes were signed during the year. In addition, only the minutes for the April, May, and June meetings were published.

Recommendation – Chapter 28E.6(3) of the Code of Iowa requires such minutes to be published within 20 days of each meeting. In addition, the minutes for each meeting should have been signed by one of the Co-Chairs of the Region’s governance board.

Response – The Region has since been dissolved in the succeeding fiscal year and did not hold any more Region Board meetings.

Conclusion – Response accepted.

II-B-15 Travel Expense – No disbursements of Region money for travel expenses 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 Chapters 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.