



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

July 21, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Central Iowa Community Services (CICS) for the year ended June 30, 2015.

CICS had revenues of \$28,649,351 for the year ended June 30, 2015, including \$10,976,349 from property and other county tax, \$675,957 from state tax credits, \$4,542,971 from operating grants, contributions and restricted interest, \$6,255 from charges for service and \$12,447,819 of initial contributions from member counties.

Expenditures for the year ended June 30, 2015 totaled \$9,141,894, and included \$6,168,583 for direct services to consumers, \$2,152,223 for general administration and \$821,088 for county provided services.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1514-2362-B00F>.

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**CENTRAL IOWA COMMUNITY SERVICES**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2015**

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**Central Iowa Community Services**

**Regional Governance Board**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Wayne Clinton	Board Chair	Story County Board of Supervisors
Mike Nolte	Vice Chair	Franklin County Board of Supervisors
Tom Foster	Board Member	Boone County Board of Supervisors
Doug Bailey	Board Member	Hamilton County Board of Supervisors
Ronn Rickels	Board Member	Hardin County Board of Supervisors
Joe Brock	Board Member	Jasper County Board of Supervisors
Kirk Macumber (thru Dec 2014)	Board Member	Madison County Board of Supervisors
Phil Clifton (effective Jan 2015)	Board Member	Madison County Board of Supervisors
Deane Adams (thru Dec 2014)	Board Member	Marshall County Board of Supervisors
Bill Patten (effective Jan 2015)	Board Member	Marshall County Board of Supervisors
Larry Wilson	Board Member	Poweshiek County Board of Supervisors
Deane Yordi	Board Member	Warren County Board of Supervisors
Al Fagerlund	Non-Voting Ex-Officio Board Member	
Pam Herrema	Non-Voting Ex-Officio Board Member	
Debra Schildroth	Chief Executive Officer	(Resigned Feb 2015)
Jody Eaton	Chief Executive Officer	(Appointed)

**Central Iowa Community Services**



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Independent Auditor's Report

To the Regional Governance Board of  
Central Iowa Community Services:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Iowa Community Services as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise Central Iowa Community Services' 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 Special Revenue, Mental Health Funds of Franklin County, Hamilton County, Hardin County and Marshall County, which represent 1.6%, 2.9%, 2.4% and 5.4%, respectively, of the assets, 0.9%, 1.9%, 0.7% and 1.2%, respectively, of the fund balance and 2.2%, 5.3%, 5.2% and 12.9%, 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 Franklin County, Hamilton County, Hardin County and Marshall 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 Central Iowa Community Services' 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 Central Iowa Community Services' 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 Opinions on the Governmental Activities*

As discussed in Note 4, management has not recorded a liability for compensated absences in the governmental activities and, accordingly, has not recorded an expense for the current year 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 CICS and its employees 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 the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

Also, as discussed in Note 4, 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 year change in that liability. U.S. generally accepted accounting principles require CICS's annual OPEB costs based on the annual required contribution of CICS, 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 the governmental activities. The amount by which this departure affects the liabilities, net position and expenses of the governmental activities has not been determined.

In addition, as discussed in Note 4, 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 year 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 the governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

### *Adverse Opinions*

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinions on the 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 Central Iowa Community Services as of June 30, 2015, or the changes in its 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 Central Iowa Community Services 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 Central Iowa Community Services' 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 purposes 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. Because of the significance of the matters described in the "Basis for Adverse Opinions on the Governmental Activities" paragraphs on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2016 on our consideration of Central Iowa Community Services' 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 Central Iowa Community Services' internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 7, 2016

**Central Iowa Community Services**

## **Basic Financial Statements**

**Exhibit A**

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## Central Iowa Community Services

## Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 20,109,354
Receivables:	
Property tax:	
Delinquent	18,809
Succeeding year	9,537,146
Accounts	36,344
Accrued interest	156
Due from other governments	212,626
Prepaid expenses	976
	<u>29,915,411</u>
<b>Total assets</b>	
<b>Liabilities</b>	
Accounts payable	770,227
Salaries and benefits payable	31,257
Due to other governments	69,324
	<u>870,808</u>
<b>Total liabilities</b>	
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	9,537,146
	<u>9,537,146</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u>\$ 19,507,457</u>

See notes to financial statements.

Central Iowa Community Services

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Governmental activities:</b>				
Mental health	\$ 9,141,894	6,255	4,542,971	(4,592,668)
<b>General Revenues and Special Item:</b>				
Property and other county tax levied for mental health purposes				10,976,349
State tax credits				675,957
Special item - initial contributions from member counties				12,447,819
Total general revenues and special item				24,100,125
Change in net position				19,507,457
Net position beginning of year				-
Net position end of year				\$ 19,507,457

See notes to financial statements.

Central Iowa Community Services

Balance Sheet

June 30, 2015

	Fiscal Agent	Boone County	Franklin County	Hamilton County
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 17,464,418	364,889	168,090	334,476
Receivables:	-	-	-	-
Property tax:	-	-	-	-
Delinquent	-	3,964	809	527
Succeeding year	-	822,000	318,328	498,945
Accounts	-	-	-	35,772
Accrued interest	156	-	-	-
Due from member counties	160,000	-	-	-
Due from other governments	-	42,102	-	-
Prepaid expenditures	-	-	-	-
<b>Total assets</b>	<b>\$ 17,624,574</b>	<b>1,232,955</b>	<b>487,227</b>	<b>869,720</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 702,926	1,673	1,438	2,864
Salaries and benefits payable	-	6,337	396	352
Due to other funds	-	-	305	-
Due to other governments	-	-	-	-
Total liabilities	702,926	8,010	2,139	3,216
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	822,000	318,328	498,945
Other	-	3,837	784	518
Total deferred inflows of resources	-	825,837	319,112	499,463
Fund balances:				
Nonspendable for prepaid expenditures	-	-	-	-
Restricted for mental health purposes	16,921,648	399,108	165,976	367,041
Total fund balances	16,921,648	399,108	165,976	367,041
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 17,624,574</b>	<b>1,232,955</b>	<b>487,227</b>	<b>869,720</b>

See notes to financial statements.

Special Revenue, Mental Health Funds							Reclassification/	
Hardin County	Jasper County	Madison County	Marshall County	Poweshiek County	Story County	Warren County	Elimination Entries	Total
138,643	245,502	37,049	217,593	271,585	696,940	170,169	-	20,109,354
2,873	3,691	1,049	434	180	3,483	1,799	-	18,809
578,692	1,104,000	477,000	1,360,181	440,000	2,917,000	1,021,000	-	9,537,146
-	-	-	-	-	572	-	-	36,344
-	-	-	-	-	-	-	-	156
-	-	-	-	-	-	-	(160,000)	-
3,019	18,484	42,399	28,289	6,907	68,809	2,617	-	212,626
-	-	-	-	-	976	-	-	976
723,227	1,371,677	557,497	1,606,497	718,672	3,687,780	1,195,585	(160,000)	29,915,411
598	3,162	627	924	506	54,730	779	-	770,227
979	4,700	-	10,991	1,525	3,433	2,544	-	31,257
-	-	-	-	-	-	187	(492)	-
-	1,252	-	-	161,065	66,422	93	(159,508)	69,324
1,577	9,114	627	11,915	163,096	124,585	3,603	(160,000)	870,808
578,692	1,104,000	477,000	1,360,181	440,000	2,917,000	1,021,000	-	9,537,146
2,864	3,691	41,049	361	180	3,483	1,746	-	58,513
581,556	1,107,691	518,049	1,360,542	440,180	2,920,483	1,022,746	-	9,595,659
-	-	-	-	-	976	-	-	976
140,094	254,872	38,821	234,040	115,396	641,736	169,236	-	19,447,968
140,094	254,872	38,821	234,040	115,396	642,712	169,236	-	19,448,944
723,227	1,371,677	557,497	1,606,497	718,672	3,687,780	1,195,585	(160,000)	

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.

Net position of governmental activities

58,513

\$ 19,507,457

Central Iowa Community Services

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2015

	Fiscal Agent	Boone County	Franklin County	Hamilton County
Revenues:				
Property and other county tax	\$ -	831,751	340,931	687,345
Intergovernmental revenues:				
State tax credits	-	53,569	21,057	37,424
MH-DD reimbursement from other governments	2,927	21,008	-	-
Payments from member counties	15,331,310	-	-	-
Mental health and disability services equalization	3,522,645	-	-	-
Mental health and disability services transition	-	-	-	8,060
Social services block grant	-	134,982	-	31,735
Medicaid	-	-	-	53,160
Other	-	209	555	-
Total intergovernmental revenues	18,856,882	209,768	21,612	130,379
Charges for service	-	-	-	1,971
Use of money and property	1,524	-	-	-
Miscellaneous	-	5,044	-	36,597
Total revenues	18,858,406	1,046,563	362,543	856,292
Expenditures:				
Services to persons with:				
Mental illness	1,005,717	274,487	122,198	107,618
Intellectual disability	451,798	58,813	104,213	2,928
Other developmental disabilities	84,975	3,096	-	-
Total direct services to consumers	1,542,490	336,396	226,411	110,546
General administration:				
Direct administration	752,164	266,749	127,779	209,679
Purchased administration	96,153	14,533	-	-
Distribution to MHDS regional fiscal agent	-	438,203	446,519	531,735
Total general administration	848,317	719,485	574,298	741,414
County provided services:				
County provided case management	-	63,919	-	-
Other	-	-	-	-
Total County provided services	-	63,919	-	-
Total mental health, intellectual disabilities and developmental disabilities expenditures	2,390,807	1,119,800	800,709	851,960
Excess (deficiency) of revenues over (under) expenditures	16,467,599	(73,237)	(438,166)	4,332
Special item - initial contributions from member counties	454,049	472,345	604,142	362,709
Net change in fund balances	16,921,648	399,108	165,976	367,041
Fund balances beginning of year	-	-	-	-
Fund balances end of year	\$ 16,921,648	399,108	165,976	367,041

See notes to financial statement.

Special Revenue, Mental Health Funds							Reclassification/	
Hardin County	Jasper County	Madison County	Marshall County	Poweshiek County	Story County	Warren County	Elimination Entries	Total
771,772	1,636,870	509,127	1,823,725	424,018	2,964,431	967,866	-	10,957,836
56,407	112,539	30,310	131,994	16,318	152,413	55,866	8,060	675,957
-	-	-	-	37,329	-	-	-	61,264
-	-	-	-	-	-	-	(15,331,310)	-
-	-	-	-	-	-	-	-	3,522,645
-	-	1,890	-	-	-	-	(9,950)	-
12,665	77,521	5,629	118,645	28,966	277,801	-	13,186	701,130
-	-	-	-	-	39,225	-	-	92,385
57	3,585	596	-	8,628	29,157	10,973	(11,296)	42,464
69,129	193,645	38,425	250,639	91,241	498,596	66,839	(15,331,310)	5,095,845
-	-	-	1,702	-	2,582	-	-	6,255
-	-	-	-	-	-	-	-	1,524
678	-	8,604	30	25,652	4,206	748	-	81,559
841,579	1,830,515	556,156	2,076,096	540,911	3,469,815	1,035,453	(15,331,310)	16,143,019
261,734	528,845	458,230	679,725	134,076	764,749	389,605	-	4,726,984
28,453	47,405	99,229	99,235	14,501	234,914	10,480	-	1,151,969
35,747	130,192	7,842	14,674	13,104	-	-	-	289,630
325,934	706,442	565,301	793,634	161,681	999,663	400,085	-	6,168,583
75,327	84,844	9,130	142,666	6,162	147,252	132,354	66,240	2,020,346
6,328	7,369	-	7,494	-	-	-	-	131,877
1,297,991	2,479,702	490,205	3,823,332	764,300	3,677,801	1,447,762	(15,397,550)	-
1,379,646	2,571,915	499,335	3,973,492	770,462	3,825,053	1,580,116	(15,331,310)	2,152,223
21,028	-	29,123	-	53,310	208,194	246,292	-	621,866
-	-	-	-	-	199,222	-	-	199,222
21,028	-	29,123	-	53,310	407,416	246,292	-	821,088
1,726,608	3,278,357	1,093,759	4,767,126	985,453	5,232,132	2,226,493	(15,331,310)	9,141,894
(885,029)	(1,447,842)	(537,603)	(2,691,030)	(444,542)	(1,762,317)	(1,191,040)	-	7,001,125
1,025,123	1,702,714	576,424	2,925,070	559,938	2,405,029	1,360,276	-	12,447,819
140,094	254,872	38,821	234,040	115,396	642,712	169,236	-	19,448,944
-	-	-	-	-	-	-	-	-
140,094	254,872	38,821	234,040	115,396	642,712	169,236	-	19,448,944

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

	58,513
Change in net position of governmental activities	<u>\$ 19,507,457</u>

Central Iowa Community Services

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

Central Iowa Community Services (CICS) is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa and includes the following member counties: Boone, Franklin, Hamilton, Hardin, Jasper, Madison, Marshall, Poweshiek, Story and Warren. 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 Central Iowa Community Services Regional Governance Board is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance 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 Central Iowa Community Services area serving in a nonvoting, ex officio capacity.

Central Iowa Community Services designated Madison 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 Auditors Report, Central Iowa Community Services' 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 Central Iowa Community Services are intended to present the financial position and the changes in financial position of Central Iowa Community Services, which includes funds held by Central Iowa Community Services' 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, Central Iowa Community Services (CICS) has included all funds, organizations, agencies, commissions and authorities. CICS 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 CICS are such that exclusion would cause CICS' 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 CICS 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 CICS. CICS 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 Central Iowa Community Services.

The Statement of Net Position presents the 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 segments 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.

CICS reports the following major governmental funds:

Special Revenue:

Central Iowa Community Services Fund (Fiscal Agent) is used to account for the activity of CICS not expended directly from the Mental Health Funds of the individual member counties.

The Mental Health Funds of the member counties 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, CICS considers revenues to be available if they are collected by CICS or a 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 CICS or a 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.

Under the terms of grant agreements, CICS 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 CICS' 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, CICS' 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 CICS funds are pooled and invested. Interest earned on investments is recorded either by the fiscal agent or a 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 and Due to Other Members – During the course of its operations, CICS 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.

Due to Other Governments – Due to other governments represents payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, 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 90 days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable 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**

Central Iowa Community Services' 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 ensure there will be no loss of public funds.

CICS 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 CICS; 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.

CICS had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$7,466,891 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – CICS’ investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of CICS.

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – CICS places no limit on the amount which may be invested in any one issuer.

**(3) Special Item - Initial Contributions from Member Counties**

CICS began operations on July 1, 2014. The ending balances of the Special Revenue, 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 CICS’ Regional Governance Board and each individual member county Board of Supervisors, the CICS Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of CICS 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 by CICS.

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 be recorded when incurred for these items in the governmental activities financial statements. CICS’ governmental activities financial statements do not report these amounts.

**(5) Risk Management**

CICS 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.

CICS' property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. CICS' contributions to the Pool for the year ended June 30, 2015 were \$9,939.

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 CICS' 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 CICS' 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 CICS' 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.

CICS 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 CICS' 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**

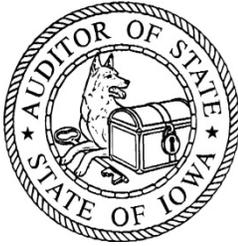
Central Iowa Community Services  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Social Services Block Grant	93.667	\$ 701,130

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Central Iowa Community Services 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.

See accompanying independent auditor's report.

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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  
Central Iowa Community Services:

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 Central Iowa Community Services as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated July 7, 2016. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed adverse opinions 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 Special Revenue, Mental Health Funds of Franklin County, Hamilton County, Hardin County and Marshall County, as described in our report on Central Iowa Community Services' 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 Central Iowa Community Services' 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 Central Iowa Community Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Central Iowa Community Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Central Iowa Community Services' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 we consider to be material weaknesses. However, we identified a deficiency in internal control, described as item II-A-15 in Part II of the accompanying Schedule of Findings and Questioned Costs, we consider to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Iowa Community Services' 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.

Comments involving statutory and other legal matters about CICS' 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 CICS. 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.

## Central Iowa Community Services' Response to the Finding

Central Iowa Community Services' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Central Iowa Community Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 Central Iowa Community Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Iowa Community Services' 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 Central Iowa Community Services 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 7, 2016



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Central Iowa Community Services:

Report on Compliance for Each Major Federal Program

We have audited Central Iowa Community Services' 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. Central Iowa Community Services' 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Central Iowa Community Services' 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 Central Iowa Community Services' 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 the major federal program. However, our audit does not provide a legal determination of Central Iowa Community Services' compliance.

Opinion on the Major Federal Program

In our opinion, Central Iowa Community Services 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 Central Iowa Community Services 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 Central Iowa Community Services' 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 the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Iowa Community Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 7, 2016

Central Iowa Community Services  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund. Adverse opinions were issued on the Statement of Net Position and the Statement of Activities of the governmental activities.
- (b) A significant deficiency in internal control over financial reporting was 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) Central Iowa Community Services did not qualify as a low-risk auditee.

Central Iowa Community Services  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 Mental Health Financial Reporting – Elimination entries are necessary to reduce revenues and expenditures in Central Iowa Community Services’ (CICS) annual report for financial activity occurring between CICS’ fiscal agent and the member counties. During the audit, we identified a receivable from a member county to CICS’ fiscal agent (Madison County) which was not properly accrued. An adjustment was subsequently made by CICS’ fiscal agent to properly report and eliminate this transaction in the financial statements.

Recommendation – CICS should establish procedures to monitor the coding of mental health accruals by CICS’ fiscal agent and the individual member counties to ensure proper reporting in CICS’ financial statements.

Response – We have established procedures to reconcile member county and fiscal agent activity with the CICS’ financial statements.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs 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 Minutes – No transactions were found that we believe should have been approved in the Regional Governance Board minutes but were not.

IV-B-15 Travel Expense – No disbursements of Central Iowa Community Services’ money for travel expenses of spouses of Central Iowa Community Services 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 Central Iowa Community Services’ 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.

Central Iowa Community Services

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Ryan T. Jelsma, Senior Auditor II  
Erin J. Sietstra, Staff Auditor  
Anthony J.T. Mallie, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State