

COUNTY RATE INFORMATION SYSTEM

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2006 AND 2005

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COUNTY RATE INFORMATION SYSTEM
OFFICIALS
AS OF JUNE 30, 2006

<u>Name</u>	<u>Title</u>	<u>Representing</u>
David Mineart	Chairperson	Warren County
Terrence Neuzil	Vice-Chairperson	Johnson County
Mary Williams	Treasurer	Benton County
Sue Novak	Secretary	Linn County
Lawrence Rouw	Member	Mahaska County
Melvyn Houser	Member	Pottawattamie County
Lonnie Maguire	Member	Shelby County
Ellen Gaffney	Member	Buchanan County
Linn Adams	Member	Hardin County
Kay Kollmorgen	Member	Humboldt County
Ric Gerard	Member	Iowa County



Partners

Michael E. Brinker, CPA
David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA, CFP®
John A. Schmidt, CPA
Daniel A. Schwarz, CPA, ABV
S. James Smith, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
County Rate Information System

We have audited the accompanying statements of financial position of County Rate Information System as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Rate Information System as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 25, 2006, on our consideration of County Rate Information System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
August 25, 2006

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and the American Institute of Certified Public Accountants

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COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

County Rate Information System provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Organization's operating revenues increased 14%, or \$15,172, from fiscal 2005 to fiscal 2006. Membership fees increased and entry fees decreased.
- The Organization's operating expenses decreased 13%, or \$17,733, in fiscal 2006 from fiscal 2005.
- The Organization's net assets increased 24%, or \$10,766, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

County Rate Information System is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to County Rate Information System's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Organization's financial activities.

The Statements of Financial Position present information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statements of Activities present information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets for fiscal 2006 totaled approximately \$55,500. This compares to approximately \$44,700 for fiscal 2005. A summary of the Organization's net assets is presented below.

	June 30,	
	2006	2005
Cash and cash equivalents	\$ 8,677	\$ 19,681
Accounts receivable	-	3,500
Certificate of deposit	59,788	50,000
Total assets	<u>68,465</u>	<u>73,181</u>
Liabilities – accounts payable	<u>13,000</u>	<u>28,482</u>
Unrestricted net assets	<u>\$ 55,465</u>	<u>\$ 44,699</u>

All of the Organization's net assets are unrestricted net assets that can be used to meet the Organization's obligations as they come due.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Activities

Operating revenues are received for dues, entry, and registration fees collected from member counties. Operating expenses are expenses paid to establish and maintain a rate system methodology to enable member counties to negotiate and receive appropriate reimbursement rates with covered Mental Health and Developmental Disability Providers. Non-operating revenue consists entirely of interest income. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2006 and 2005 is presented below:

Changes in Net Assets		Year ended June 30,	
		2006	2005
Revenue			
Membership dues	\$	120,002	\$ 104,000
Entry fees		1,000	3,000
Registration fees		2,675	3,500
Interest		2,725	730
Total revenue		126,402	111,230
Expenses			
Administrative fees		7,837	10,989
Consulting fees		98,100	112,292
Professional fees		2,350	2,150
Insurance		1,022	1,027
Meeting expense		5,882	6,431
Miscellaneous		445	480
Total expenses		115,636	133,369
Increase (decrease) in unrestricted net assets		10,766	(22,139)
Unrestricted net assets, beginning of year		44,699	66,838
Unrestricted net assets, end of year	\$	55,465	\$ 44,699

The Statements of Activities reflect an increase in net assets at the end of the fiscal year. In fiscal 2006, operating revenues increased by \$15,172, or 14%, primarily the result of an increase in membership dues of approximately \$16,000. Operating expenses decreased by \$17,733, or 13%. This decrease was primarily a result of a decrease in consulting fees of approximately \$14,000.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash used by operating activities primarily includes member dues reduced by consulting and administrative fees.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Organization officials. The greatest economic threat to the continuation of this program would be changes in either federal or state regulations regarding the use of funds to pay for the cost of administrative support services. This program exists to more efficiently use resources in providing services to individuals with disabilities. General disruptions in funding or significant programmatic changes could eliminate the need for this program. However, while program changes occur over time, the abandonment of funding or the complete elimination of these types of services is highly unlikely.

While fiscal year 2006 performed much like the previous fiscal year, the Organization expects an increase in volume in the current fiscal year, due to additional memberships of fifteen counties. The Organization will continue to maintain a close watch over resources to maintain the Organization's ability to react to unknown issues.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors and management with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Rate Information System, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 8,677	\$ 19,681
Accounts receivable	-	3,500
Certificate of deposit	<u>59,788</u>	<u>50,000</u>
Total assets	<u><u>\$ 68,465</u></u>	<u><u>\$ 73,181</u></u>

LIABILITIES AND NET ASSETS

Liabilities - accounts payable	\$ 13,000	\$ 28,482
Net assets - unrestricted	<u>55,465</u>	<u>44,699</u>
Total liabilities and net assets	<u><u>\$ 68,465</u></u>	<u><u>\$ 73,181</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUE		
Membership fees	\$ 120,002	\$ 104,000
Entry fees	1,000	3,000
Registration fees	2,675	3,500
Interest income	2,725	730
Total revenues	<u>126,402</u>	<u>111,230</u>
EXPENSES		
Administrative fees	7,837	10,989
Consulting fees	98,100	112,292
Professional fees	2,350	2,150
Insurance	1,022	1,027
Meeting expenses	5,882	6,431
Miscellaneous	445	480
Total expenses	<u>115,636</u>	<u>133,369</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	10,766	(22,139)
UNRESTRICTED NET ASSETS, beginning of year	<u>44,699</u>	<u>66,838</u>
UNRESTRICTED NET ASSETS, end of year	<u><u>\$ 55,465</u></u>	<u><u>\$ 44,699</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 10,766	\$ (22,139)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Net increase (decrease) in:		
Accounts receivable	3,500	(3,500)
Accounts payable	<u>(15,482)</u>	<u>8,482</u>
Net cash used by operating activities	<u>(1,216)</u>	<u>(17,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	(119,788)	(110,000)
Proceeds from maturities of certificates of deposit	<u>110,000</u>	<u>60,000</u>
Net cash used by investing activities	(9,788)	(50,000)
Net decrease in cash	(11,004)	(67,157)
CASH, beginning of year	<u>19,681</u>	<u>86,838</u>
CASH, end of year	<u><u>\$ 8,677</u></u>	<u><u>\$ 19,681</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - County Rate Information System (CRIS) was established under the provisions of Chapter 28E of the Iowa Code. The purpose of CRIS is to establish a rate setting methodology to enable member counties to negotiate appropriate reimbursement rates with Covered Mental Health and Developmental Disability Providers.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificate of deposit - The Organization holds a certificate of deposit with a financial institution. The certificate of deposit matures in September 2006 and bears an interest rate of 3.9%.

Income tax status - CRIS was formed as a joint venture between the participating member counties and the Iowa State Association of Counties and is exempt from income taxes. Accordingly, no provision for income taxes has been provided in the financial statements.

Concentration of credit risk - The Organization's deposits in banks at June 30, 2006 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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - AGREEMENT WITH THE IOWA STATE ASSOCIATION OF COUNTIES

The Organization has an agreement with the Iowa State Association of Counties (ISAC) whereby ISAC provides the Organization with office space, clerical support, telephone services, use of its office-related equipment, insurance and other employee benefits. The Organization reimburses ISAC for these costs on a periodic basis. Administrative expenses paid by ISAC on behalf of CRIS totaled \$7,837 and \$10,989 for fiscal years 2006 and 2005, respectively.

NOTE C - COMMITMENT

The Organization has a consulting agreement that ends June 30, 2009. The agreement may be terminated, without cause, by either party with 120 days written notice. Consulting expense under the agreement totaled \$98,100 in 2006 and \$112,292 in 2005.

Following are the estimated annual future costs under the consulting agreement:

<u>Year ending June 30,</u>	
2007	\$ 116,400
2008	\$ 119,900
2009	\$ 123,500

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE D - FUNCTIONAL EXPENSES

The costs of providing services to establish a rate methodology include direct expenses of providing the services (salaries and related costs, as well as consulting fees). Management and general expenses include all executive and financial administration expenses.

Following is a summary of CRIS's functional expenses at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Program expenses	\$ 103,843	\$ 120,536
Fundraising costs	-	-
General and administration	<u>11,793</u>	<u>12,833</u>
 TOTAL	 <u>\$ 115,636</u>	 <u>\$ 133,369</u>



Partners

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

To the Board of Directors of
County Rate Information System

We have audited the accompanying financial statements of County Rate Information System as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered County Rate Information System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Rate Information System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
August 25, 2006

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COUNTY RATE INFORMATION SYSTEM
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Reportable conditions

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.