

COUNTY CASE MANAGEMENT SERVICES

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

JUNE 30, 2006 AND 2005

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**COUNTY CASE MANAGEMENT SERVICES
OFFICIALS
AS OF JUNE 30, 2006**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Harlan Hansen	Chairperson	Humboldt County
Cy McDonald	1 st Vice Chairperson	Madison County
Elaine Armstrong	2 nd Vice Chairperson	Page County
Mike King	Member	Union County
Tim Hoschek	Member	Des Moines County
Betty Moat	Member	Pottawattamie County
Steve Reuter	Member	Bremer County
Jack Willey	Member	Jackson County
Jeff Simonsen	Member	Cherokee County
Sally Stutsman	Member	Johnson County
Larry Vest	Member	Tama 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 Case Management Services

We have audited the accompanying statements of financial position of County Case Management Services 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 auditing standards generally accepted in the United States of America 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 financial statement presentation. We believe that 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 Case Management Services 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 25, 2006, on our consideration of County Case Management Services' 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 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

*Celebrating 60 Years...
all because of You!*

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

County Case Management Services 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 5%, or \$23,172, from fiscal 2005 to fiscal 2006. Member dues and services, registration fees and interest income all increased during the fiscal year 2006.
- The Organization's operating expenses were 16%, or \$72,785, more in fiscal 2006 than in fiscal 2005. Operating expenses increased as a result of additional payroll, conference facility and office expenses.
- The Organization's net assets decreased 9%, or \$50,080, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The County Case Management Services 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 Case Management Services' 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 CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Financial Position

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 \$529,700. This compares to approximately \$579,800 for fiscal 2005. A summary of the Organization's net assets is presented below.

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash	\$ 86,842	\$ 63,342
Accounts receivable	59,647	66,850
Certificates of deposit	408,519	454,155
Property and equipment at cost, less accumulated depreciation	38,129	34,091
Total assets	<u>593,137</u>	<u>618,438</u>
Due to Iowa State Association of Counties	60,052	38,633
Accounts payable	3,360	-
Total liabilities	<u>63,412</u>	<u>38,633</u>
Net assets	<u>\$ 529,725</u>	<u>\$ 579,805</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 CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Activities

Operating revenues arise from county membership dues and service revenue, as well as registration fees. Operating expenses are expenses paid to provide technical assistance and training to member counties relating to case management of the chronically mentally ill, mentally retarded and developmentally disabled in Iowa. Non-operating revenue is comprised 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		
Member dues and services	\$ 416,104	\$ 404,943
Registration fees	49,734	44,481
Interest income	17,835	11,077
Total revenue	483,673	460,501
Expenses		
Salaries and fringe benefits	308,044	274,139
Professional fees	3,300	2,800
Staff travel and training	29,938	25,425
Conference facility expenses	56,605	35,906
Outside speakers' fees	12,382	13,467
Board of Directors' meeting expenses	7,651	5,156
Insurance	9,018	11,550
Office expense	73,354	58,866
Depreciation	14,805	19,071
Office space lease	15,684	14,052
Miscellaneous	2,972	536
Total expenses	533,753	460,968
Decrease in unrestricted net assets	(50,080)	(467)
Unrestricted net assets, beginning of year	579,805	580,272
Unrestricted net assets, end of year	\$ 529,725	\$ 579,805

The Statements of Activities reflect a decrease in net assets at the end of the fiscal year. In fiscal 2006, operating revenues increased by \$23,172 or 5%, primarily as the result of increased member dues and services, registration fees and interest income. Operating expenses increased by \$72,785, or 16%, primarily as a result of increased salaries and fringe benefits, conference facility expenses and office expenses.

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating and related financing and investing activities. Cash provided by operating activities includes member dues, service revenues and registration fees, reduced by payments to employees, as well as payments related to meetings and conferences. Cash used by investing activities primarily includes the purchase of a new vehicle, as well as purchases and maturities of certificates of deposit.

CAPITAL ASSETS

At June 30, 2006, the Organization had approximately \$38,000 invested in capital assets, net of accumulated depreciation of approximately \$116,000. Depreciation charges totaled \$14,805 for fiscal 2006. More detailed information about the Organization's capital assets is presented in Note A to the financial statements.

ECONOMIC FACTORS

County Case Management Services held its financial position during the current fiscal year. However, 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.

The Organization anticipates the current fiscal year will be much like the last and will 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 Case Management Services, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ 86,842	\$ 63,342
Accounts receivable	59,647	66,850
Certificates of deposit	408,519	454,155
Property and equipment		
Office furniture and equipment	91,057	106,825
Vehicles	37,063	20,254
Leasehold improvements	8,130	8,130
	<u>136,250</u>	<u>135,209</u>
Less accumulated depreciation	(98,121)	(101,118)
Net property and equipment	<u>38,129</u>	<u>34,091</u>
Total assets	<u><u>\$ 593,137</u></u>	<u><u>\$ 618,438</u></u>

LIABILITIES AND NET ASSETS

Due to Iowa State Association of Counties	\$ 60,052	38,633
Accounts payable	3,360	-
Total liabilities	<u>63,412</u>	<u>38,633</u>
Net assets - unrestricted	<u>529,725</u>	<u>579,805</u>
Total liabilities and net assets	<u><u>\$ 593,137</u></u>	<u><u>\$ 618,438</u></u>

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

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
REVENUE		
Member dues and services	\$ 416,104	\$ 404,943
Registration fees	49,734	44,481
Interest income	17,835	11,077
Total revenues	483,673	460,501
EXPENSES		
Salaries and fringe benefits	308,044	274,139
Professional fees	3,300	2,800
Staff travel and training	29,938	25,425
Conference facility expenses	56,605	35,906
Outside speakers' fees	12,382	13,467
Board of Directors' meeting expenses	7,651	5,156
Insurance	9,018	11,550
Office expense	73,354	58,866
Depreciation	14,805	19,071
Office space lease	15,684	14,052
Miscellaneous	2,972	536
Total expenses	533,753	460,968
 DECREASE IN UNRESTRICTED NET ASSETS	 (50,080)	 (467)
 UNRESTRICTED NET ASSETS, beginning of year	 579,805	 580,272
 UNRESTRICTED NET ASSETS, end of year	 \$ 529,725	 \$ 579,805

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

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (50,080)	\$ (467)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operations:		
Depreciation	14,805	19,071
Changes in:		
Accounts receivable	7,203	2,258
Accounts payable	3,360	-
Amount due to Iowa State Association of Counties	21,419	7,511
Net cash provided (used) by operating activities	(3,293)	28,373
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(18,843)	(20,254)
Proceeds from maturity of certificates of deposit	455,000	360,832
Purchase of certificates of deposit	(409,364)	(366,224)
Net cash provided (used) by investing activities	26,793	(25,646)
 Net increase in cash	23,500	2,727
 CASH, beginning of year	63,342	60,615
 CASH, end of year	\$ 86,842	\$ 63,342

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

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - County Case Management Services (CCMS) was established and duly organized under the provisions of Chapter 28E of the Iowa Code. CCMS provides technical assistance and training to member counties relating to case management of the chronically mentally ill, mentally retarded and developmentally disabled in Iowa.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit - The Organization holds certificates of deposit with various financial institutions. The certificates of deposit mature through July 2007 and bear interest at rates ranging from 4.5% - 5.2%.

Property and Equipment - Property and equipment are stated at cost. Depreciation is provided by straight-line method over the estimated economic useful lives of the assets, ranging from five to seven years.

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.

Concentration of Credit Risk - Accounts receivable arise from billings for services provided to participating counties throughout Iowa. Based on its review of the receivables, management believes no allowance for doubtful accounts is necessary.

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.

However, at June 30, 2006, CCMS has invested funds totaling approximately \$53,000 in money market accounts not insured by the FDIC or covered by the State Sinking Fund.

Income Tax Status - CCMS 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.

NOTE B - DUE TO IOWA STATE ASSOCIATION OF COUNTIES

Certain expenses associated with the case management program are paid by the Iowa State Association of Counties (ISAC) on behalf of CCMS and then reimbursed to ISAC. Types of expenses allocated to CCMS include salaries, payroll taxes, fringe benefits, supplies, rent, utilities and travel expenses. Amounts owed to ISAC are non-interest bearing and are repaid on a monthly basis.

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE C - PENSION PLAN

CCMS provides a defined contribution pension plan in which all employees are eligible to participate. The plan is funded through purchase of annuity contracts. Employer contributions are based upon length of employment. Employee contributions are voluntary, but to receive the employer contribution, the employee must contribute an amount equal to the lesser of the determined employer contribution, or \$1,000. Employer contributions were \$6,275 and \$4,492 for 2006 and 2005, respectively.

NOTE D - LEASE

The Organization leases its office space from ISAC on a month-to-month basis. Improvements made to the office space, however, are amortized over seven years. The Organization does not anticipate changing office locations in the near future due to its close relationship with ISAC.

NOTE E - FUNCTIONAL EXPENSES

The costs of providing case management services include salaries and related expenses and other direct expenses such as staff travel and training as well as conference expenses, including outside speaker fees. Management and general expenses include all executive, financial administration, information systems, and building rents and maintenance expenses.

Following is a summary of CCMS's functional expenses for the years ended June 30, 2006 and 2005:

	2006	2005
Program expenses	\$ 406,969	\$ 348,936
Fundraising expenses	-	-
General and administration	126,784	112,032
	<u>\$ 533,753</u>	<u>\$ 460,968</u>



Partners

Michael E. Brinker, CPA
David W. Hurst, CPA
Kathleen A. Koenig, CPA
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S. James Smith, CPA

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 Case Management Services

We have audited the accompanying financial statements of County Case Management Services 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 auditing standards generally accepted in the United States of America 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 Case Management Services' 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. 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 Case Management Services' 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 that are 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

*Celebrating 60 Years...
all because of You!*

COUNTY CASE MANAGEMENT SERVICES
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.