

COUNTY RATE INFORMATION SYSTEM

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

JUNE 30, 2007 AND 2006

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COUNTY RATE INFORMATION SYSTEM
OFFICIALS
AS OF JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Terrence Neuzil	Chairperson	Johnson County
Mary Williams	Vice-Chairperson	Benton County
Sue Novak	Treasurer	Linn County
Melvyn Houser	Secretary	Pottawattamie County
Ric Gerard	Member	Iowa County
Lonnie Maguire	Member	Shelby County
Lawrence Rouw	Member	Mahaska County
Ellen Gaffney	Member	Buchanan County
Caye Chelesvig	Member	Wright County
Linn Adams	Member	Hardin County
Dave Mineart (term 1/1/07)	Member	Warren 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
Joni M. Tonnemacher, 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, 2007 and 2006, 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, 2007 and 2006, 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 October 8, 2007, 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
October 8, 2007

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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, 2007. 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 44%, or \$55,357, from fiscal 2006 to fiscal 2007, primarily as a result of an increase in membership.
- The Organization's operating expenses increased 40%, or \$46,453, in fiscal 2007 from fiscal 2006, primarily as a result of an increase in consulting fees.
- The Organization's net assets increased 35%, or \$19,670, from June 30, 2006 to June 30, 2007.

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 is 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

Net assets over time may serve as a useful indicator of the Organization's financial position. The Organization's net assets for fiscal 2007 totaled approximately \$75,100. This compares to approximately \$55,500 for fiscal 2006. A summary of the Organization's net assets is presented below.

	June 30,	
	2007	2006
Cash and cash equivalents	\$ 90,575	\$ 8,677
Accounts receivable	800	-
Certificate of deposit	-	59,788
Total assets	<u>91,375</u>	<u>68,465</u>
Liabilities – accounts payable	<u>16,240</u>	<u>13,000</u>
Unrestricted net assets	<u>\$ 75,135</u>	<u>\$ 55,465</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, and 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, 2007 and 2006 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2007	2006
Revenue		
Membership dues	\$ 163,835	\$ 120,002
Entry fees	6,500	1,000
Registration fees	3,693	2,675
Interest	7,731	2,725
Total revenue	181,759	126,402
Expenses		
Administrative fees	8,295	7,837
Consulting fees	142,393	98,100
Professional fees	4,750	2,350
Insurance	1,072	1,022
Meeting expense	5,003	5,882
Miscellaneous	576	445
Total expenses	162,089	115,636
Increase (decrease) in unrestricted net assets	19,670	10,766
Unrestricted net assets, beginning of year	55,465	44,699
Unrestricted net assets, end of year	\$ 75,135	\$ 55,465

The Statements of Activities reflect an increase in net assets at the end of fiscal year 2007. In fiscal 2007, operating revenues increased by \$55,357, or 44%, primarily the result of an increase in membership of approximately \$49,000. Operating expenses increased by \$46,453, or 40%. This increase was primarily a result of an increase in consulting fees of approximately \$46,000.

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 provided by operating activities primarily includes member and entry 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 counties' responsibilities for providing and managing services to individuals with disabilities. If counties no longer have a role in managing or paying for services, the need for this program is eliminated. However, that is an unlikely occurrence. This program exists to provide services to individuals with disabilities in an efficient manner. General disruptions in funding or significant programmatic changes could eliminate the need for this program. While program changes occur over time, however, the abandonment of funding or the complete elimination of these types of services is highly unlikely.

While fiscal year 2007 experienced an increase in volume due to the addition of fifteen member counties, fiscal year 2008 is anticipated to be stable without significant growth. The Organization's board has made appropriate revenue and expense adjustments to accommodate for the growth in 2007. 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, 2007 AND 2006

ASSETS

	2007	2006
Cash and cash equivalents	\$ 90,575	\$ 8,677
Accounts receivable	800	-
Certificate of deposit	-	59,788
Total assets	\$ 91,375	\$ 68,465

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 14,475	\$ 13,000
Due to Iowa State Association of Counties	1,765	-
Total liabilities	16,240	13,000
Net assets - unrestricted	75,135	55,465
Total liabilities and net assets	\$ 91,375	\$ 68,465

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

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
REVENUE		
Membership fees	\$ 163,835	\$ 120,002
Entry fees	6,500	1,000
Registration fees	3,693	2,675
Interest income	7,731	2,725
Total revenues	181,759	126,402
 EXPENSES		
Administrative fees	8,295	7,837
Consulting fees	142,393	98,100
Professional fees	4,750	2,350
Insurance	1,072	1,022
Meeting expenses	5,003	5,882
Miscellaneous	576	445
Total expenses	162,089	115,636
 INCREASE IN UNRESTRICTED NET ASSETS	 19,670	 10,766
 UNRESTRICTED NET ASSETS, beginning of year	 55,465	 44,699
 UNRESTRICTED NET ASSETS, end of year	 \$ 75,135	 \$ 55,465

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

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 19,670	\$ 10,766
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Net change in:		
Accounts receivable	(800)	3,500
Accounts payable	1,475	(15,482)
Due to Iowa State Association of Counties	1,765	-
	22,110	(1,216)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	-	(119,788)
Proceeds from maturities of certificates of deposit	59,788	110,000
	59,788	(9,788)
Net cash provided (used) by investing activities	59,788	(9,788)
Net increase (decrease) in cash and cash equivalents	81,898	(11,004)
CASH AND CASH EQUIVALENTS, beginning of year	8,677	19,681
CASH AND CASH EQUIVALENTS, end of year	\$ 90,575	\$ 8,677

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 - Cash and cash equivalents include bank deposits and funds invested in broker money market accounts.

The Organization's bank deposits totaled approximately \$13,000 at June 30, 2007. These deposits 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.

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.

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. Expenses paid by ISAC on behalf of CRIS totaled \$8,295 and \$7,837 for fiscal years 2007 and 2006, 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 \$142,393 in 2007 and \$98,100 in 2006.

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

<u>Year ending June 30,</u>	
2008	\$ 145,100
2009	\$ 149,500

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Program expenses	\$ 150,128	\$ 103,843
Fundraising costs	-	-
General and administration	<u>11,961</u>	<u>11,793</u>
 TOTAL	 <u>\$ 162,089</u>	 <u>\$ 115,636</u>



Partners

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Joni M. Tonnemacher, 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 Rate Information System

We have audited the accompanying financial statements of County Rate Information System as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of County Rate Information System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of County Rate Information System's internal control financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects County Rate Information System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the County Rate Information System's that is more than inconsequential will not be prevented or detected by County Rate Information System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by County Rate Information System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, 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 required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. 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.

This report is intended solely for the information and use of the Board of Directors and County Rate Information's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowan, Hurst, Clark + Smith, P.C.

West Des Moines, Iowa
October 8, 2007

COUNTY RATE INFORMATION SYSTEM
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant deficiencies or material weaknesses

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.