

**COUNTY RATE INFORMATION SYSTEM**

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

**JUNE 30, 2011 AND 2010**

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**COUNTY RATE INFORMATION SYSTEM**  
**OFFICIALS**  
**AS OF JUNE 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Lonnie Maguire	Chairperson	Shelby County
Mardi Allen	Vice-Chairperson	Dickinson County
Ellen Gaffney	Treasurer	Buchanan County
Carl Mattes	Secretary	Humboldt County
Lori Elam	ISAC Representative	Scott County
Terrence Neuzil	Member	Johnson County
Melvyn Houser	Member	Pottawattamie County
Jill Eaton	Member	Marshall County
Mary Williams	Member	Benton County
Lawrence Rouw	Member	Mahaska County
Lucas Beenken	Member	Wright 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, CFFA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
County Rate Information System

We have audited the accompanying statements of net assets of County Rate Information System as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets 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 net assets of County Rate Information System as of June 30, 2011 and 2010, 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 September 30, 2011, 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  
September 30, 2011

## **COUNTY RATE INFORMATION SYSTEM** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

County Rate Information System (CRIS) 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, 2011. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The Organization's revenues decreased 3%, or \$5,538, from fiscal 2010 to fiscal 2011, primarily as a result of a decrease in membership and registration fees.
- The Organization's expenses increased 2%, or \$2,825, during fiscal 2011 from fiscal 2010, primarily as a result of an increase in consulting fees.
- The Organization's net assets decreased 2%, or \$2,344, from June 30, 2010 to June 30, 2011.

### **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 Net Assets 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 Revenues, Expenses and Changes in Net Assets 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 Net Assets*

Net assets over time may serve as a useful indicator of the Organization's financial position. The Organization's net assets at the fiscal year ended June 30, 2011 totaled approximately \$117,500. This compares to approximately \$119,900 at the fiscal year ended June 30, 2010. A summary of the Organization's net assets is presented below.

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 133,569	\$ 135,176
Less current liabilities	<u>16,026</u>	<u>15,289</u>
Unrestricted net assets	<u>\$ 117,543</u>	<u>\$ 119,887</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 Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for dues, entry and registration fees collected from member counties. Operating expenses consist of 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 of interest income and miscellaneous income. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2011	2010
Revenue		
Membership fees	\$ 171,500	\$ 174,500
Registration fees	-	3,165
Interest income	743	1,011
Miscellaneous	895	-
Total revenues	173,138	178,676
Expenses		
Administrative fees	6,378	6,078
Consulting fees	157,052	153,987
Professional fees	4,200	4,600
Insurance	951	685
Meeting expenses	6,866	6,673
Miscellaneous	35	634
Total expenses	175,482	172,657
Increase (decrease) in unrestricted net assets	(2,344)	6,019
Unrestricted net assets, beginning of year	119,887	113,868
Unrestricted net assets, end of year	\$ 117,543	\$ 119,887

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets at the end of fiscal year 2011. In fiscal 2011, total revenues decreased by \$5,538, or 3%, primarily as the result of a decrease in membership dues of \$3,000 and a decrease in registration income of approximately \$3,200. Total expenses increased by \$2,825, or 2%, primarily as a result of an increase in consulting fees.

**COUNTY RATE INFORMATION SYSTEM**  
**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, capital and related financing and investing activities. Cash used by operating activities primarily includes member dues reduced by consulting and administrative fees. Cash provided by investing activities consists of proceeds from maturities and sales of investments.

**ECONOMIC FACTORS**

Economic conditions in Iowa could have a potential impact on CRIS. The loss of taxable valuation can impact a county's ability to raise revenue which in turn would reduce the willingness of counties to purchase services offered by CRIS. However, the greatest economic threat to this program though continues to be the impact of significant changes in state or federal regulations related to county 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, it is unlikely that the counties' role in providing this type of service would be eliminated. This program exists to more efficiently allocate resources amongst the various service categories related to individuals with disabilities. Therefore, it is more likely that additional counties will view this as a program that improves their management capabilities.

The most likely changes in CRIS will be in either 2012 or 2013 due to the development of the Community Services Network (CSN). CSN is the new management tool being created by the community services affiliate to assist in managing clients and services. Discussions are underway to determine how CRIS services can be blended into CSN. The cost analysis and rating structure developed through CRIS are important tools used in management of clients and services by counties. The CRIS Board has been monitoring the development of CSN and has been engaged in these discussions. A possible scenario could be merging the financial resources of CRIS with CSN, but such action would require CRIS Board action and approval by CRIS membership. The Board will also continue to maintain a close watch on potential changes that may impact them fiscally.

CRIS will also continue to be challenged by outside forces. The 2011 Iowa Legislature adopted legislation that could fundamentally restructure how disability services are provided in Iowa in the future. Since CRIS is positioned to make changes in the next fiscal year or two, the Board will need to pay close attention to any changes that might impact the programs operations.

**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, 5500 Westown Parkway, Suite 190, West Des Moines, Iowa 50266.

**COUNTY RATE INFORMATION SYSTEM**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2011 AND 2010**

<b>ASSETS</b>		<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		133,569	33,280
Investments - marketable securities		-	1,005
Investments - certificate of deposit		-	100,000
Accounts receivable		-	891
		<u>          </u>	<u>          </u>
<b>TOTAL CURRENT ASSETS</b>		<u><u>\$ 133,569</u></u>	<u><u>\$ 135,176</u></u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 13,088	\$ 13,556
Due to Iowa State Association of Counties		2,938	1,733
<b>Total current liabilities</b>		<u>16,026</u>	<u>15,289</u>
Net assets - unrestricted		<u>117,543</u>	<u>119,887</u>
		<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 133,569</u></u>	<u><u>\$ 135,176</u></u>

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

**COUNTY RATE INFORMATION SYSTEM**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b>REVENUE</b>		
Membership fees	\$ 171,500	\$ 174,500
Registration fees	-	3,165
Interest income	743	1,011
Miscellaneous income	895	-
<b>Total revenues</b>	<b>173,138</b>	<b>178,676</b>
 <b>EXPENSES</b>		
Administrative fees	6,378	6,078
Consulting fees	157,052	153,987
Professional fees	4,200	4,600
Insurance	951	685
Meeting expenses	6,866	6,673
Miscellaneous	35	634
<b>Total expenses</b>	<b>175,482</b>	<b>172,657</b>
 <b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>(2,344)</b>	<b>6,019</b>
 <b>UNRESTRICTED NET ASSETS, beginning of year</b>	<b>119,887</b>	<b>113,868</b>
 <b>UNRESTRICTED NET ASSETS, end of year</b>	<b>\$ 117,543</b>	<b>\$ 119,887</b>

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

**COUNTY RATE INFORMATION SYSTEM**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (2,344)	\$ 6,019
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net change in:		
Accounts receivable	891	(265)
Accounts payable	(468)	9,785
Due to Iowa State Association of Counties	1,205	(3,396)
	(716)	12,143
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sales of investments	101,005	109,858
Purchases of investments	-	(100,000)
	101,005	9,858
<b>Net cash provided by investing activities</b>	101,005	9,858
<b>Net increase in cash and cash equivalents</b>	100,289	22,001
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	33,280	11,279
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 133,569	\$ 33,280

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.

The Organization's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity - For financial reporting purposes, the Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards Board Criteria.

Basis of Presentation - The accounts of the Organization are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting - The 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Organization applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Organization distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**COUNTY RATE INFORMATION SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -**  
continued

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.

The Organization's bank deposits totaled approximately \$134,000 at June 30, 2011. 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.

Investments - The Organization's investments in marketable securities are presented at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in unrealized gains and losses, if any, are included as a component of investment income on the statement of revenues, expenses and changes in net assets.

Income tax matters - CRIS was formed as a joint venture between the participating member counties and the Iowa State Association of Counties and was established under Chapter 28E of the Iowa Code. As the result of its status as a 28E organization, it is exempt from income taxes and has no income tax filing requirements.

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 and insurance. The Organization reimburses ISAC for these costs on a periodic basis. Expenses paid by ISAC on behalf of CRIS totaled \$6,378 and \$6,078 for fiscal years 2011 and 2010, respectively.

**NOTE C - COMMITMENT**

The Organization has a consulting agreement through June 30, 2012. The agreement may be terminated, without cause, by either party with 120 days written notice. Consulting expense under the agreement totaled \$157,052 in 2011 and \$153,987 in 2010. Costs under the consulting agreement for the year ending June 30, 2012 are expected to be approximately \$160,200.

**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 (administrative fees 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 for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Program expenses	\$ 160,066	\$ 158,655
Fundraising costs	-	-
General and administration	<u>15,416</u>	<u>14,002</u>
 TOTAL	 <u>\$ 175,482</u>	 <u>\$ 172,657</u>

**NOTE E – RISK MANAGEMENT**

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



*Partners*

Michael E. Brinker, CPA  
David W. Hurst, CPA  
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Joni M. Tonnemacher, CPA, CFFA

**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 financial statements of County Rate Information System as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 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 an 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 the Organization's internal control over financial reporting.

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 or deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial report that might be deficiencies, significant deficiencies, or 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, 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 is intended solely for the information and use of management, members and the Board of Directors and other parties to whom the Organization may report. The report 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  
September 30, 2011

**COUNTY RATE INFORMATION SYSTEM**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2011**

**Findings Related to the Financial Statements**

**Internal control deficiencies**

No material weaknesses were identified.

**Instances of non-compliance**

No matters were noted.

**Other findings related to required statutory reporting**

No matters were noted.