

**COUNTY RATE INFORMATION SYSTEM**

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

**JUNE 30, 2012 AND 2011**

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**COUNTY RATE INFORMATION SYSTEM**  
**OFFICIALS**  
**AS OF JUNE 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ellen Gaffney	Chairperson	Buchanan County
Carl Mattes	Vice-Chairperson	Humboldt County
Lucas Beenken	Treasurer	Wright County
Ken Rozenboom	Secretary	Mahaska County
Sarah Kaufman	ISAC Representative	Henry County
Melvyn Houser	Member	Pottawattamie County
Terrence Neuzil	Member	Johnson County
Jill Eaton	Member	Marshall County
Mary Williams	Member	Benton County
Lonnie Maguire	Member	Shelby County
Mardi Allen	Member	Dickinson County



*Partners*

Michael E. Brinker, CPA  
David A. Farnsworth, CPA  
David W. Hurst, CPA  
Kathleen A. Koenig, CPA  
Robert R. McGowen, CPA  
Michael W. McNichols, CPA

Brian K. Newton, 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, 2012 and 2011, 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 previously present fairly, in all material respects, the net assets of County Rate Information System as of June 30, 2012 and 2011, 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 October 16, 2012, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*McGowen, Hurst, Clark + Smith, P.C.*

West Des Moines, Iowa  
October 16, 2012

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Founded in 1946

**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, 2012. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- The Organization's revenues decreased 18.4%, or \$31,861, from fiscal 2011 to fiscal 2012, primarily as a result of a decrease in membership dues.
- The Organization's expenses increased 0.2%, or \$346, during fiscal 2012 from fiscal 2011, primarily as a result of an increase in consulting fees offset by a decrease in administrative fees and meeting expenses.
- The Organization's net assets decreased 29.4%, or \$34,551, from June 30, 2011 to June 30, 2012.

**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 June 30, 2012 totaled approximately \$83,000. This compares to approximately \$117,500 at June 30, 2011. A summary of the Organization's net assets is presented below.

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 98,214	\$ 133,569
Less current liabilities	<u>15,222</u>	<u>16,026</u>
Unrestricted net assets	<u>\$ 82,992</u>	<u>\$ 117,543</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 consist primarily of membership fees. 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, 2012 and 2011 is presented below:

	Changes in Net Assets	
	Year ended June 30,	
	2012	2011
Revenue		
Membership fees	\$ 140,961	\$ 171,500
Interest income	289	743
Miscellaneous income	27	895
Total revenues	141,277	173,138
Expenses		
Administrative fees	4,507	6,378
Consulting fees	160,193	157,052
Professional fees	4,400	4,200
Insurance	715	951
Meeting expenses	5,867	6,866
Miscellaneous	146	35
Total expenses	175,828	175,482
Decrease in unrestricted net assets	(34,551)	(2,344)
Unrestricted net assets, beginning of year	117,543	119,887
Unrestricted net assets, end of year	\$ 82,992	\$ 117,543

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease of \$34,551 in net assets for the fiscal year ended June 30, 2012. During the fiscal year ended June 30, 2012, total revenues decreased by \$31,861, or 18.4%, primarily as the result of a decrease in membership dues of \$30,539. Total expenses increased by \$346, or 0.2%, primarily as a result of an increase in consulting fees offset by a decrease in administrative fees and meeting expenses.

**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.

**ECONOMIC FACTORS**

CRIS will be merged into Electronic Transactions Clearinghouse (ETC) during fiscal year 2013 due to the development of the Community Services Network (CSN). CSN is the new management tool that was created by the community services affiliate to assist in managing clients and services. 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 approved this transition and limited dues will be collected in fiscal year 2013 with a corresponding increase in ETC/CSN dues.

The 2012 Iowa Legislature adopted legislation that will fundamentally restructure how disability services are provided in Iowa in the future. The Board is positioned to respond to the changes that will impact operations. It is anticipated that CRIS will cease to be an operating entity by June 30, 2013.

**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, 2012 AND 2011**

**ASSETS**

	2012	2011
<b>CURRENT ASSETS - Cash and cash equivalents</b>	\$ 98,214	\$ 133,569

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 13,405	\$ 13,088
Due to Iowa State Association of Counties	1,817	2,938
<b>Total current liabilities</b>	15,222	16,026
 Net assets - unrestricted	 82,992	 117,543
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 98,214	 \$ 133,569

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, 2012 AND 2011**

	2012	2011
<b>REVENUE</b>		
Membership fees	\$ 140,961	\$ 171,500
Interest income	289	743
Miscellaneous income	27	895
<b>Total revenues</b>	141,277	173,138
 <b>EXPENSES</b>		
Administrative fees	4,507	6,378
Consulting fees	160,193	157,052
Professional fees	4,400	4,200
Insurance	715	951
Meeting expenses	5,867	6,866
Miscellaneous	146	35
<b>Total expenses</b>	175,828	175,482
 <b>DECREASE IN UNRESTRICTED NET ASSETS</b>	(34,551)	(2,344)
 <b>UNRESTRICTED NET ASSETS, beginning of year</b>	117,543	119,887
 <b>UNRESTRICTED NET ASSETS, end of year</b>	\$ 82,992	\$ 117,543

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

**COUNTY RATE INFORMATION SYSTEM**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from member dues	\$ 140,961	171,199
Cash received from interest income	289	743
Cash received from other operating receipts	27	895
Cash paid to suppliers for goods and services	(176,632)	(173,553)
<b>Net cash used by operating activities</b>	<b>(35,355)</b>	<b>(716)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sales of investments	-	101,005
<b>Net change in cash and cash equivalents</b>	(35,355)	100,289
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	133,569	33,280
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 98,214</b>	<b>\$ 133,569</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Decrease in net assets	\$ (34,551)	(2,344)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Changes in:		
Accounts receivable	-	891
Due to Iowa State Association of Counties	(1,121)	1,205
Accounts payable	317	724
Deferred revenue	-	(1,192)
<b>Net cash used by operating activities</b>	<b>\$ (35,355)</b>	<b>\$ (716)</b>

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

CRIS will merge into Electronic Transactions Clearinghouse (ETC) during the fiscal year ending June 30, 2013. The CRIS Board has approved this transaction which will effectively dissolve CRIS as a separate entity. All assets and liabilities of CRIS will be transferred to ETC.

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 (GASB) 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 GASB 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 \$98,000 at June 30, 2012. 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 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 \$4,507 and \$6,378 for fiscal years 2012 and 2011, respectively.

**NOTE C - 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Program expenses	\$ 161,572	\$ 160,066
Fundraising costs	-	-
General and administration	<u>14,256</u>	<u>15,416</u>
 TOTAL	 <u>\$ 175,828</u>	 <u>\$ 175,482</u>

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

**NOTE D - 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 A. Farnsworth, CPA  
David W. Hurst, CPA  
Kathleen A. Koenig, CPA  
Robert R. McGowen, CPA  
Michael W. McNichols, CPA

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John A. Schmidt, CPA  
Daniel A. Schwarz, CPA/ABV  
S. James Smith, CPA  
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, 2012, and have issued our report thereon dated October 16, 2012. 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

The management of the County Rate Information System is responsible for establishing and maintaining effective 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 of 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. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. 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.

### 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*.

County Rate Information System's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit County Rate Information System's response and, accordingly, we express no opinion on it.

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.

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

West Des Moines, Iowa  
October 16, 2012

**COUNTY RATE INFORMATION SYSTEM**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2012**

**Findings Related to the Financial Statements**

**Internal control deficiencies**

- (A) Segregation of Duties - The Accounting Manager has the ability to approve purchases, enter and post invoices in the general ledger and has access to check stock. This lack of segregation of duties creates a heightened risk of undetected errors or misappropriation of assets in the cash disbursements process.

Recommendation - We recommend that the Organization request cancelled check images be provided along with the monthly bank statement or made available online. An individual with an appropriate level of knowledge but without access to cash should review the images, along with a review of the monthly bank statements, to mitigate the segregation of duties risks involving the disbursements process. The bank statements and cancelled check images should be reviewed for unusual or unauthorized vendors and disbursements. We also recommend that the Executive Director and the Board of Directors continue to review the monthly financial statements prepared by the Accounting Manager and compare actual results to budgeted expectations to identify any unusual and/or unexpected amounts or fluctuations.

Response - Due to the limited number of office employees, adequate segregation of duties is difficult to achieve. However, we will include ISAC General Counsel in the process of reviewing cancelled checks and bank statements. The Executive Director and Board of Directors will continue to review the monthly financial statements prepared by the Accounting Manager to identify any unusual or expected amounts or fluctuations.

Conclusion - Response accepted.

**Instances of non-compliance**

No matters were noted.

**Other findings related to required statutory reporting**

No matters were noted.