

COUNTY CASE MANAGEMENT SERVICES

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

JUNE 30, 2012 AND 2011

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COUNTY CASE MANAGEMENT SERVICES
OFFICIALS
AS OF JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve Reuter	Chairperson	Bremer County
Paul Merten	1 st Vice Chairperson	Buena Vista County
Jack Willey	2 nd Vice Chairperson	Jackson County
Jill Davisson	Member	Clinton County
Ellen Gaffney	Member	Buchanan County
Sally Stutsman	Member	Johnson County
Larry Vest	Member	Tama County
Harlan Hansen	Member	Humboldt County
Jeff Simonsen	Member	Cherokee County
Elaine Armstrong	Member	Page County
Charles Rieken	ISAC Representative	Cass 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 Case Management Services

We have audited the accompanying statements of net assets of County Case Management Services 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 financial statement presentation. We believe that 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 Case Management Services 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 September 28, 2012, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 3 through 7 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
September 28, 2012

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and the American Institute of Certified Public Accountants

Founded in 1946

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

County Case Management Services (CCMS) 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 operating revenues increased 8%, or \$42,703, from fiscal 2011 to fiscal 2012. Member dues and services and registration fees increased during the year.
- The Organization's expenses were 11%, or \$49,219, higher in fiscal 2012 than in fiscal 2011. Operating expenses increased primarily as a result of higher professional fees, salaries and fringe benefits, and conference facility expenses.
- The Organization's net assets increased 6%, or \$51,967, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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 is 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 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 CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Net Assets

Net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets totaled approximately \$865,700 at June 30, 2012. This compares to approximately \$813,700 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>
Current assets	\$ 710,107	\$ 763,118
Property and equipment at cost, less accumulated depreciation	30,536	16,969
Other assets	<u>182,750</u>	<u>95,156</u>
Total assets	923,393	875,243
Less current liabilities	<u>57,710</u>	<u>61,527</u>
Net assets	<u>\$ 865,683</u>	<u>\$ 813,716</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 Revenues, Expenses and Changes in Net Assets

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 primarily comprised of investment income and gain on disposal of property and equipment. 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		
Member dues and services	\$ 454,449	\$ 433,131
Registration fees	84,095	69,824
Investment income	2,655	4,029
Gain on disposal of property and equipment	8,488	-
Total revenue	549,687	506,984
Expenses		
Salaries and fringe benefits	290,330	276,261
Professional fees	53,380	28,296
Staff travel and training	16,741	14,929
Conference facility expenses	60,114	49,190
Outside speakers' fees	16,077	16,150
Board of Directors' meeting expenses	7,222	11,834
Insurance	6,162	9,263
Office expense	18,474	14,860
Depreciation	8,999	13,999
Office space lease	14,291	12,756
Miscellaneous	5,930	963
Total expenses	497,720	448,501
Increase in unrestricted net assets	51,967	58,483
Unrestricted net assets, beginning of year	813,716	755,233
Unrestricted net assets, end of year	\$ 865,683	\$ 813,716

The Statements of Revenues, Expenses and Changes in Net Assets reflect an increase in net assets for the year ended June 30, 2012. During the fiscal year ended June 30, 2012, total revenues increased by \$42,703, or 8%, primarily as the result of an increase in member dues and registration fees. Total expenses increased by \$49,219, or 11%, primarily as a result of higher professional fees, salaries and fringe benefits, and conference facility 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 resulted primarily from net proceeds from sales of investments and net proceeds from sale of property and equipment, offset by property and equipment purchases, software development costs and purchases of investments.

PROPERTY AND EQUIPMENT

At June 30, 2012, the Organization had approximately \$30,500 invested in property and equipment, net of accumulated depreciation of approximately \$75,600. Depreciation expense totaled \$8,999 for fiscal 2012. More detailed information about the Organization's capital assets is presented in Note A to the financial statements.

OTHER ASSETS

At June 30, 2012, the Organization had approximately \$182,750 invested in the development of a software program that will serve as a tool to assist counties in managing clients and services. Software development costs have not yet been amortized as the software had not been placed in service as of June 30, 2012.

ECONOMIC FACTORS

Economic conditions in Iowa could have a potential impact on CCMS. 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 CCMS. This is a greater threat than in previous years due to the state of not only Iowa's economy but the nation as a whole. The greatest economic threat to this program 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. Significant rule changes have been made that required an adjustment in the operation of county case management programs. The complete fiscal impact of those changes is not yet readily apparent – but likely will cause higher operational costs for members.

Additionally, the Iowa Legislature passed legislation during the 2012 session that initiates a restructuring of disability services in Iowa starting in fiscal year 2014. The nature of these changes are not yet determined but these and other factors will make it important for the Board to pay close attention to finances as county resources become scarce and to look for strategies to reduce member costs. The possibility of counties no longer having a role in managing or paying for services is unlikely. Since this program exists to more effectively provide case management services to individuals with disabilities and to ensure that county case management programs are in compliance with state and federal regulations, it will continue to have value to members as long as counties have a role in providing these services.

The program has reached a level of stability in participation, but it is possible that additional counties could decide to participate in the program in the future. The CCMS Board will continue to maintain a close watch on potential changes that may impact them fiscally.

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS - continued

The CCMS Board of Directors has adopted a strategy to reduce program reserves over time and is implementing an increased use of technology to reduce program and member costs. The Board anticipates operations in the next fiscal year will focus on implementing these new strategies while maintaining the service members have come to expect. The Board will also maintain a close watch over resources to maintain the ability to react to unknown issues.

Effective July 1, 2012, the state of Iowa took over all Medicaid payments. Integrated health homes (ihh) could have a major impact on Targeted Case Management (TCM) Agencies, as any individual with CMI and chronic health conditions, will be automatically assigned to an ihh. Integrated health homes will have case managers thus, unless the client requests to opt out of the ihh, will lose TCM from counties as this would be a duplication of services. This could have a major impact on agencies regarding the number of clients served as well as budgeting and staffing, which ultimately could impact CCMS income.

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

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 212,408	\$ 203,155
Investments - marketable securities	-	8,821
Investments - certificates of deposit	417,942	470,146
Accounts receivable	78,050	78,564
Prepaid expenses	1,707	2,432
Total current assets	710,107	763,118
 PROPERTY AND EQUIPMENT		
Office furniture and equipment	29,497	36,496
Vehicles	57,760	78,015
Leasehold improvements	18,838	8,130
	106,095	122,641
Less accumulated depreciation	(75,559)	(105,672)
Net property and equipment	30,536	16,969
 OTHER ASSETS - Software development costs	182,750	95,156
TOTAL ASSETS	\$ 923,393	\$ 875,243

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Due to Iowa State Association of Counties	\$ 45,618	\$ 40,472
Accounts payable	2,707	19,265
Deferred revenue	9,385	1,790
Total current liabilities	57,710	61,527
 Net assets - unrestricted	865,683	813,716
TOTAL LIABILITIES AND NET ASSETS	\$ 923,393	\$ 875,243

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

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
REVENUE		
Member dues and services	\$ 454,449	\$ 433,131
Registration fees	84,095	69,824
Investment income	2,655	4,029
Gain on disposal of property and equipment	8,488	-
Total revenues	549,687	506,984
EXPENSES		
Salaries and fringe benefits	290,330	276,261
Professional fees	53,380	28,296
Staff travel and training	16,741	14,929
Conference facility expenses	60,114	49,190
Outside speakers' fees	16,077	16,150
Board of Directors' meeting expenses	7,222	11,834
Insurance	6,162	9,263
Office expense	18,474	14,860
Depreciation	8,999	13,999
Office space lease	14,291	12,756
Miscellaneous	5,930	963
Total expenses	497,720	448,501
INCREASE IN UNRESTRICTED NET ASSETS	51,967	58,483
UNRESTRICTED NET ASSETS, beginning of year	813,716	755,233
UNRESTRICTED NET ASSETS, end of year	\$ 865,683	\$ 813,716

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

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member dues and services	\$ 454,963	\$ 436,520
Cash received from registration fees	91,690	67,759
Cash received from other operating receipts	2,863	8,409
Cash paid to suppliers for goods and services	(309,831)	(297,323)
Cash paid to employees for services	(189,577)	(119,943)
Net cash provided by operating activities	50,108	95,422
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(22,578)	(1,519)
Proceeds from sale of property and equipment	8,500	-
Software development costs	(87,594)	(95,156)
Proceeds from maturities and sales of investments	478,831	151,272
Purchases of investments	(418,014)	(190,000)
Net cash used by investing activities	(40,855)	(135,403)
 Net increase (decrease) in cash and cash equivalents	9,253	(39,981)
 CASH AND CASH EQUIVALENTS, beginning of year	203,155	243,136
 CASH AND CASH EQUIVALENTS, end of year	\$ 212,408	\$ 203,155
 Reconciliation of operating income to net cash provided by operating activities:		
Increase in net assets	\$ 51,967	\$ 58,483
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,999	13,999
Gain on disposal of property and equipment	(8,488)	-
Realized and unrealized losses on investments	208	4,385
Changes in:		
Accounts receivable	514	3,389
Prepaid expenses	725	251
Due to Iowa State Association of Counties	5,146	5,017
Accounts payable	(16,558)	11,963
Deferred revenue	7,595	(2,065)
Net cash provided by operating activities	\$ 50,108	\$ 95,422

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.

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.

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 CASE MANAGEMENT SERVICES
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 \$216,000 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. Chapter 12C 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. 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.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances.

Accounts Receivable - Accounts receivable arise primarily 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.

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

Software Development Costs - The Organization capitalizes costs incurred for the development of software for the long-term benefit of members. The software under development will serve as a tool to assist counties in managing clients and services. In accordance with accounting principles generally accepted in the United States of America, the cost of the software is not being amortized as it has not been placed in service as of June 30, 2012.

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.

Income Tax Status - CCMS 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.

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE B - INVESTMENTS

Investments in marketable securities at June 30, 2011 consisted of one mutual fund with a fair value of \$8,821. Accounting principles generally accepted in the United States of America has a required framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The marketable securities held by the Organization were valued using quoted prices in active markets for identical assets or liabilities (Level I measurements).

Investments in certificates of deposit at June 30, 2012 include five certificates of deposit with interest rates ranging from 0.35% to 0.60% and mature at various times through December 2013. Investments in certificates of deposit at June 30, 2011 include six certificates of deposit with interest rates ranging from 0.40% to 1.05% and matured at various times through May 2012.

Following is a summary of the Organization's investment income:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 2,863	\$ 8,414
Realized and unrealized losses on investments	(208)	(4,385)
	<u>\$ 2,655</u>	<u>\$ 4,029</u>

NOTE C - 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.

NOTE D - RETIREMENT PLAN

The Organization sponsors a 457(g) defined contribution retirement plan in which all employees are eligible to participate. The Organization also offers a 401(a) defined contribution retirement plan for employer contributions. Employer contributions to the 401(a) plan are equal to 8.07% of an employee's eligible compensation; however, the employee is required to contribute 4.1% of eligible wages to the 457(g) plan to qualify for the employer contribution. Employer contributions for the years ended June 30, 2012 and 2011 totaled \$18,123 and \$15,240, respectively.

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Program expenses	\$ 383,262	\$ 356,530
Fundraising expenses	-	-
General and administration	114,458	91,971
	<u>\$ 497,720</u>	<u>\$ 448,501</u>

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE F - BOARD DESIGNATED NET ASSETS

At June 30, 2012 and 2011 the Organization's Board of Directors has designated \$132,247 of its net assets for future needs and special projects (a specific purpose has not yet been identified) and \$101,118 for future non-budgeted replacement of property and equipment.

NOTE G - 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
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 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 financial statements of County Case Management Services as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 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

Management of County Case Management Services is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered County Case Management Services' 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 Case Management Services' 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 reporting 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 weakness, 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 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*.

County Case Management Services' response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit County Case Management Services' 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
September 28, 2012

COUNTY CASE MANAGEMENT SERVICES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Findings Related to the Financial Statements

Internal control deficiencies

- (A) Segregation of Duties - The Accounting Manager is responsible for entering and approving purchases and reviewing and approving the bank account statements and reconciliations. He also has access to blank check stock and has access to the electronic signature of the Executive Director who is an authorized signor on the bank accounts. This lack of segregation of duties creates a heightened risk of undetected significant errors or misappropriation of assets in the cash disbursements process.

Recommendation - We recommend that the Organization request cancelled check images to be provided along with the monthly bank statement or made available online and that an individual with an appropriate level of knowledge reviews the images, along with a review of the monthly bank statements, to mitigate the segregation of duties risks involving the disbursements process. The review of the bank statements and cancelled checks should include reviewing for unusual or unauthorized vendors and disbursements. Online access or unopened bank statements should be received and reviewed by someone other than the individual preparing the bank reconciliations and the Accounting Manager. We also recommend that the Executive Director and the Board of Directors continue to review the monthly financial statements prepared by the Accounting Manager closely and compare them to budget.

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.

Conclusion - Response accepted.

Instances of non-compliance

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.