

COUNTY RATE INFORMATION SYSTEM

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

JUNE 30, 2013 AND 2012

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COUNTY RATE INFORMATION SYSTEM
OFFICIALS
AS OF JUNE 30, 2013

<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, MAFF

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
County Rate Information System

Report on the Financial Statements

We have audited the accompanying financial statements of County Rate Information System as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require the Management's Discussion and Analysis on pages 3 through 5 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 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* in considering County Rate Information System's internal control over financial reporting and compliance.

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

West Des Moines, Iowa
October 15, 2013

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 year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- CRIS was merged into Electronic Transactions Clearinghouse (ETC) on June 29, 2013 when all assets and liabilities of CRIS were transferred to ETC. CRIS was subsequently dissolved at the close of business on June 30, 2013. Due to the planned merger, there were no membership fees charged and a significant reduction in expenses during the fiscal year ended June 30, 2013.

USING THIS ANNUAL REPORT

County Rate Information System was a 28E organization and presented 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 basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Statements of Net Position presents information on the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position presents 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 presents 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 basic financial statements.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Net Position

The Organization's net position at June 30, 2013 was \$-0- as a result of the transfer of assets and liabilities to ETC effective June 29, 2013 and subsequent dissolution of the entity at the close of business on June 30, 2013. A summary of the Organization's net position at June 30, 2013 and 2012 is presented below.

	June 30,	
	2013	2012
Cash and cash equivalents	\$ -	\$ 98,214
Less current liabilities	-	15,222
Unrestricted net position	<u>\$ -</u>	<u>\$ 82,992</u>

Statements of Revenues, Expenses and Changes in Net Position

As a result of the planned merger and dissolution, there were limited activities during the fiscal year ended June 30, 2013. Income consisted entirely of interest income while expenses consisted of administrative costs to discontinue operations and merge into ETC. During fiscal year 2012, operating revenues consisted primarily of membership fees, and operating expenses consisted of expenses paid to maintain a rate system methodology to enable member counties to negotiate and receive appropriate reimbursement rates with covered mental health and developmental disability providers. A summary of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented below:

	Year ended June 30,	
	2013	2012
Revenue		
Membership fees	\$ -	\$ 140,961
Interest income	107	289
Miscellaneous income	-	27
Total revenues	<u>107</u>	<u>141,277</u>
Expenses		
Administrative fees	1,435	4,507
Consulting fees	-	160,193
Professional fees	4,900	4,400
Insurance	-	715
Meeting expenses	4,736	5,867
Miscellaneous	-	146
Total expenses	<u>11,071</u>	<u>175,828</u>
Decrease in unrestricted net position	(10,964)	(34,551)
Unrestricted net position, beginning of year	82,992	117,543
Transfer to Electronic Transactions Clearinghouse	<u>(72,028)</u>	<u>-</u>
Unrestricted net position, end of year	<u>\$ -</u>	<u>\$ 82,992</u>

The Statements of Revenues, Expenses and Changes in Net Position reflect a net position of \$-0- at June 30, 2013 due to the dissolution of the Organization. As noted earlier, the planned merger and dissolution resulted in minimal activity in fiscal year 2013, and a transfer of all assets and liabilities to ETC on June 29, 2013. During the fiscal year ended June 30, 2013, total revenues decreased by \$141,170, or 99.9%, and total expenses decreased by \$164,757, or 94%.

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 used by operating activities primarily includes cash paid to suppliers for goods and services. Cash used by investing activities included cash transferred to Electronic Transactions Clearinghouse.

ECONOMIC FACTORS

CRIS was merged into Electronic Transactions Clearinghouse (ETC) effective June 29, 2013 and was subsequently dissolved at the close of business on June 30, 2013. The CRIS Board approved this transition and no dues were collected in fiscal year 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 received. 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 POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS - Cash and cash equivalents	\$ -	\$ 98,214

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ -	\$ 13,405
Due to Iowa State Association of Counties	-	1,817
Total current liabilities	-	15,222
 NET POSITION - unrestricted	 -	 82,992
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ 98,214

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

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUE		
Membership fees	\$ -	\$ 140,961
Interest income	107	289
Miscellaneous income	-	27
Total revenues	107	141,277
EXPENSES		
Administrative fees	1,435	4,507
Consulting fees	-	160,193
Professional fees	4,900	4,400
Insurance	-	715
Meeting expenses	4,736	5,867
Miscellaneous	-	146
Total expenses	11,071	175,828
DECREASE IN UNRESTRICTED NET POSITION	(10,964)	(34,551)
UNRESTRICTED NET POSITION, beginning of year	82,992	117,543
Transfer to Electronic Transactions Clearinghouse	(72,028)	-
UNRESTRICTED NET POSITION, end of year	\$ -	\$ 82,992

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

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member dues	\$ -	\$ 140,961
Cash received from interest income	107	289
Cash received from other operating receipts	-	27
Cash paid to suppliers for goods and services	(26,293)	(176,632)
Net cash used by operating activities	(26,186)	(35,355)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash transferred to Electronic Transactions Clearinghouse	(72,028)	-
Net decrease in cash and cash equivalents	(98,214)	(35,355)
 CASH AND CASH EQUIVALENTS, beginning of year	98,214	133,569
CASH AND CASH EQUIVALENTS, end of year	\$ -	\$ 98,214
 Reconciliation of decrease in net position to net cash used by operating activities:		
Decrease in net position	\$ (10,964)	\$ (34,551)
Adjustments to reconcile decrease in net position to net cash used by operating activities:		
Changes in:		
Due to Iowa State Association of Counties	(1,817)	(1,121)
Accounts payable	(13,405)	317
Net cash used by operating activities	\$ (26,186)	\$ (35,355)

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 was to establish a rate setting methodology to enable member counties to negotiate appropriate reimbursement rates with covered mental health and developmental disability providers.

CRIS was merged into Electronic Transactions Clearinghouse (ETC) on June 29, 2013 when all assets and liabilities of CRIS were transferred to ETC. CRIS was subsequently dissolved at the close of business on June 30, 2013. Due to the planned merger and dissolution, there were no membership fees charged and a significant reduction in expenses during the fiscal year ended June 30, 2013.

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 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.

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.

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

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

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 had an agreement with the Iowa State Association of Counties (ISAC) whereby ISAC provided the Organization with office space, clerical support, telephone services, use of its office-related equipment and insurance. The Organization reimbursed ISAC for these costs on a periodic basis. Expenses paid by ISAC on behalf of CRIS totaled \$1,435 and \$4,507 for fiscal years 2013 and 2012, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program expenses	\$ -	\$ 161,572
Fundraising costs	-	-
General and administration	<u>11,071</u>	<u>14,256</u>
 TOTAL	 <u>\$ 11,071</u>	 <u>\$ 175,828</u>

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
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Joni M. Tonnemacher, CPA, MAFF

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of County Rate Information System as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County Rate Information System's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County Rate Information System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County Rate Information System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

West Des Moines, Iowa
October 15, 2013

COUNTY RATE INFORMATION SYSTEM
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Findings Related to the Financial Statements

Internal control deficiencies

No matters were noted.

Instances of non-compliance

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.