

**NORTHWEST IOWA ALCOHOLISM AND  
DRUG TREATMENT UNIT, INC.  
INDEPENDENT AUDITORS' REPORTS,  
FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
FOR THE YEAR ENDED  
JUNE 30, 2004**

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.

TABLE OF CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2 - 3
Financial Statements:	
Statement of Financial Position .....	4
Statement of Activities .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8 - 11
Supplemental Information:	
Schedule of Expenditures of Federal Awards .....	Schedule 1      12
Notes to Schedule of Expenditures of Federal Awards .....	12
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting .....	13 - 14
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance .....	15 - 16
Schedule of Findings and Questioned Costs .....	17 - 18

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
OFFICIALS  
JUNE 30, 2004

EXECUTIVE DIRECTOR ..... JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2004)

Officers:

President ..... Tom Farnsworth  
Vice-President ..... Mark Sybesma  
Secretary-Treasurer ..... Del Brockshus

Delegates:

Buena Vista County ..... Herb Crampton  
Bill Lanphere  
  
Clay County ..... Del Brockshus  
Bill Zinn  
  
Dickinson County ..... Greg Baloun  
Pam Jordan  
George Morris  
  
Emmet County ..... Roger Anderson  
Wayne West  
  
Kossuth County ..... Bob Cink  
  
Lyon County ..... Craig Block  
Randy Bosch  
  
O'Brien County ..... Tom Farnsworth  
Jake Moermond  
  
Osceola County ..... Bill Imhoff  
Daryl Strenge  
  
Palo Alto County ..... Jan Graettinger  
Ron Graettinger  
  
Sioux County ..... Loren Bouma  
Mark Sybesma

**WINTHER, STAVE & CO., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northwest Iowa Alcoholism and  
Drug Treatment Unit, Inc.  
Spencer, IA 51301

We have audited the accompanying statement of financial position of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) as of June 30, 2004, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of ADTU's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ADTU's June 30, 2003 financial statements and, in our report dated October 8, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. as of June 30, 2004 and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 26, 2004 on our consideration of ADTU's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Wenther, Steve & Co. LLP*

August 26, 2004

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

ASSETS

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash (Notes 1 and 6) .....	\$472,411	\$384,796
Accounts receivable - net (Notes 1 and 2) .....	101,550	76,521
Prepaid expenses .....	<u>26,613</u>	<u>26,476</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>600,574</u></b>	<b><u>487,793</u></b>
<b>PROPERTY AND EQUIPMENT (Note 1):</b>		
Office equipment .....	184,960	185,784
Video system and equipment .....	154,303	159,599
Leasehold improvements .....	<u>67,042</u>	<u>65,532</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>406,305</b>	<b>410,915</b>
Less accumulated depreciation .....	<u>(364,249)</u>	<u>(331,264)</u>
<b>PROPERTY AND EQUIPMENT - NET</b>	<b><u>42,056</u></b>	<b><u>79,651</u></b>
<b>OTHER ASSETS:</b>		
Non-marketable security (Note 3) .....	<u>32,408</u>	<u>15,086</u>
<b>TOTAL ASSETS</b>	<b><u>\$675,038</u></b>	<b><u>\$582,530</u></b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 5,031	\$ 6,802
Other liabilities .....		1,297
Accrued vacation pay (Note 1) .....	32,799	28,757
Accrued unemployment claims (Note 1) .....	<u>16,193</u>	<u>16,193</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>54,023</u></b>	<b><u>53,049</u></b>
<b>NET ASSETS:</b>		
Unrestricted (Note 1) .....	578,960	490,618
Temporarily restricted (Note 1) .....	<u>42,055</u>	<u>38,863</u>
<b>TOTAL NET ASSETS</b>	<b><u>621,015</u></b>	<b><u>529,481</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$675,038</u></b>	<b><u>\$582,530</u></b>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	<u>2004</u>	<u>2003</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract .....	\$ 637,878	\$ 610,639
Comprehensive prevention contract .....	157,194	157,194
Other contracts .....	58,780	21,100
Counties .....	112,448	122,999
Cities .....	4,702	2,674
Donations .....	1,000	1,000
Client fees .....	559,409	460,346
Other fees .....	221,583	223,966
Interest .....	10,007	11,396
Other .....	<u>28,030</u>	<u>26,615</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>1,791,031</u>	<u>1,637,929</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>11,807</u>	<u>12,181</u>
EXPENSES:		
Program services .....	1,413,051	1,456,118
Support services .....	<u>301,446</u>	<u>309,380</u>
TOTAL EXPENSES	<u>1,714,497</u>	<u>1,765,498</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>88,341</u>	<u>(115,388)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Foundation contribution .....	15,000	15,000
Net assets released from restrictions .....	<u>(11,807)</u>	<u>(12,181)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>3,193</u>	<u>2,819</u>
NET ASSETS - BEGINNING OF YEAR .....	<u>529,481</u>	<u>642,050</u>
NET ASSETS - END OF YEAR	<u>\$ 621,015</u>	<u>\$ 529,481</u>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2004  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	2004			2003
	Program Services	Support Services	Total	Total
Salaries and wages .....	\$ 791,550	\$176,882	\$ 968,432	\$ 965,906
Fringe benefits and payroll taxes .....	<u>247,858</u>	<u>52,827</u>	<u>300,685</u>	<u>317,685</u>
	<u>1,039,408</u>	<u>229,709</u>	<u>1,269,117</u>	<u>1,283,591</u>
Auditing and legal services .....	520	8,227	8,747	8,375
Bad debts .....	24,000		24,000	16,028
Contract services .....	61,499		61,499	40,439
Insurance .....	11,161	4,488	15,649	14,997
Medical services .....	4,800		4,800	5,250
Miscellaneous .....	7,906	3,238	11,144	12,048
Rent .....	84,710	12,442	97,152	97,349
Repairs and maintenance .....	29,209	8,545	37,754	41,441
Special projects .....	24,280		24,280	38,867
Staff training and education .....	9,178	9,476	18,654	21,794
Supplies .....	38,443	5,638	44,081	59,232
Telephone .....	18,446	3,078	21,524	24,200
Travel .....	23,339	2,579	25,918	37,699
Utilities .....	<u>8,515</u>	<u>208</u>	<u>8,723</u>	<u>9,561</u>
	<u>346,006</u>	<u>57,919</u>	<u>403,925</u>	<u>427,280</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,385,414	287,628	1,673,042	1,710,871
Depreciation .....	<u>27,637</u>	<u>13,818</u>	<u>41,455</u>	<u>54,627</u>
TOTAL EXPENSES	<u>\$1,413,051</u>	<u>\$301,446</u>	<u>\$1,714,497</u>	<u>\$1,765,498</u>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets .....	\$ 91,534	\$(112,569)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation .....	41,455	54,627
(Increase) decrease in current assets:		
Accounts receivable .....	(25,029)	49,287
Prepaid expenses .....	(137)	1,298
Increase (decrease) in current liabilities:		
Accounts payable .....	(1,771)	(1,737)
Accrued expenses and other liabilities .....	<u>2,745</u>	<u>3,482</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>108,797</u>	<u>(5,612)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment .....	(3,860)	(23,247)
Purchase of non-marketable security .....	<u>(17,322)</u>	<u>(5,197)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(21,182)</u>	<u>(28,444)</u>
 NET INCREASE (DECREASE) IN CASH	 87,615	 (34,056)
CASH AT BEGINNING OF YEAR .....	<u>384,796</u>	<u>418,852</u>
 CASH AT END OF YEAR	 <u>\$472,411</u>	 <u>\$ 384,796</u>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. Revenues and expenses are recognized when earned or incurred.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ADTU and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that they be used by ADTU for specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, ADTU considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. ADTU has no investments it considers cash equivalents.

**Accounts Receivable**

ADTU charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

**Property and Equipment**

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

**Accrued Expenses**

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against ADTU related to wages paid to employees during or prior to the fiscal year end.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets result from contributions from a private foundation stipulating the use of the funds for certain substance abuse prevention activities. ADTU anticipates utilizing these funds for activities to be conducted in the fiscal year ending June 30, 2005.

**Functional Allocation of Expenses**

The costs of providing ADTU's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

**Income Taxes**

ADTU is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes. The organization is not classified as a private foundation by the Internal Revenue Service.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comparative Data**

The financial statements include certain 2003 comparative information. With respect to the Statement of Functional Expenses, 2003 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with ADTU's financial statements for the year ended June 30, 2003 from which the summarized information was derived.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Contracted services .....	\$ 73,338	\$ 54,153
Client fees .....	<u>137,463</u>	<u>114,693</u>
	210,801	168,846
Less allowance for doubtful accounts .....	<u>(109,251)</u>	<u>(92,325)</u>
Accounts Receivable - Net	<u>\$101,550</u>	<u>\$ 76,521</u>

At June 30, 2004 and 2003, client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

**NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.**  
**NOTES TO FINANCIAL STATEMENTS – Continued**

**3. NONMARKETABLE SECURITY**

ADTU has acquired 100 shares of Class P common stock of Tri-State Behavioral Health Association, Inc. (Tri-State), an Iowa corporation. These shares of stock are recorded at cost. Tri-State is a management service organization entity jointly owned by mental health centers and independent providers, as well as St. Luke's Health Resources and Gordon Recovery Centers of Sioux City, Iowa. Tri-State provides a high-quality, geographically accessible, managed care oriented, multi-specialty provider behavioral health services network serving twenty-two counties in Northwest Iowa.

**4. OPERATING LEASES**

ADTU leases six offices at various locations under non-cancelable operating leases expiring from September 2004 through November 2008. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2005 .....	\$ 66,471
2006 .....	18,068
2007 .....	12,900
2008 .....	9,300
2009 .....	<u>3,875</u>
	<u>\$110,614</u>

Rent expenses under the above leases and monthly leases for three additional locations totaled \$97,152 and \$97,349 for the years ended June 30, 2004 and 2003, respectively.

**5. RETIREMENT PLAN**

ADTU maintains a defined-contribution retirement plan for all eligible employees with one year of service. The plan calls for ADTU to contribute 6 1/4% of each qualified employee's annual salary. Effective January 1, 2000, employees were further required to contribute 3% of their salary to the plan in order to receive the matching contribution by ADTU. Contributions under this plan totaled \$38,883 and \$52,234 for the years ended June 30, 2004 and 2003, respectively.

**6. CONCENTRATIONS OF CREDIT RISK**

ADTU maintains its cash balances in a financial institution located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits in excess of \$100,000 are covered by a bank deposit guarantee bond.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**7. ECONOMIC DEPENDENCY**

ADTU generates approximately 50% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, ADTU submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. ADTU has been awarded contracts from IDPH to provide prevention and treatment services for the fiscal year ending June 30, 2005 totaling \$352,194. The Iowa Plan contracts provide for equal monthly payments to ADTU, dependent upon its meeting specified unduplicated client levels and providing specified services. ADTU has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2005 totaling \$635,508.

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2005 are approximately equal to amounts received for the fiscal year ended June 30, 2004. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

**8. RISK MANAGEMENT**

ADTU is exposed to various risks of loss related to torts; theft of, 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 for the past three years.

SUPPLEMENTAL INFORMATION

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/ Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>INDIRECT:</b>			
U.S. Department of Health and Human Services:			
Passed through the Iowa Department of			
Public Health:			
Block grants for prevention and treatment			
of substance abuse:			
Comprehensive treatment .....	93.959		\$249,007
Comprehensive prevention .....	93.959	5882CP23	<u>146,172</u>
			<u>395,179</u>
Consolidated knowledge development and			
application (KD & A) program .....	93.230	5883IP09	17,374
		5884IP09	<u>49,799</u>
			<u>67,173</u>
U.S. Department of Education:			
Passed through the Iowa Department of			
Public Health:			
Safe and drug-free schools and communities -			
State Grants .....	84.186	5884DV10	<u>55,000</u>
<b>TOTAL</b>			
			<u>\$517,352</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**WINTHER, STAVE & CO., LLP**  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Board of Directors  
Northwest Iowa Alcoholism and  
Drug Treatment Unit, Inc.  
Spencer, IA 51301

We have audited the financial statements of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) as of and for the year ended June 30, 2004 and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether ADTU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Considerations of statutory and other legal matters involving ADTU's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of ADTU. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Considerations of statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments.

**Internal Control Over Financing Reporting**

In planning and performing our audit, we considered ADTU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. The prior year reportable condition has been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of ADTU and other parties to whom ADTU may report. This report is not intended to be and should be not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of ADTU during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



August 26, 2004

**WINTHER, STAVE & CO., LLP**  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE

Board of Directors  
Northwest Iowa Alcoholism and  
Drug Treatment Unit, Inc.  
Spencer, IA 51301

**Compliance**

We have audited the compliance of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. ADTU's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of ADTU's management. Our responsibility is to express an opinion on ADTU's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ADTU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ADTU's compliance with those requirements.

In our opinion, ADTU complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of ADTU is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ADTU's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of ADTU and other parties to whom ADTU may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



August 26, 2004

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

**Part I: Summary of the Independent Auditors' Results**

- a. An unqualified opinion was issued on the financial statements.
- b. No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major program was Block Grants for Prevention and Treatment of Substance Abuse, CFDA Number 93.959.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) did not qualify as a low-risk auditee.

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2004

**Part II: Findings Related to the Financial Statements**

Instances of Noncompliance:

No matters were reported.

Reportable Condition:

No matters were reported.

**Part III: Findings and Questioned Costs for Federal Awards**

Instances of Noncompliance:

No matters were reported.

Reportable Condition:

No matters were reported.

**Part IV: Other Findings Related to Statutory Requirements and Other Matters**

No matters were reported.