

**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, 2005**

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.

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

EXECUTIVE DIRECTOR ..... JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2006)

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  
George Morris

Emmet County ..... Roger Anderson  
Alan Madden

Kossuth County ..... Jack Plathe

Lyon County ..... Mark Behrends  
Craig Block

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*

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351  
Phone 712-338-2488  
FAX 712-338-2510

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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, 2005, and the related statements of activities, functional expenses, and cash flows 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, 2004 financial statements and, in our report dated August 26, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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, 2005 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.

As discussed in Note 9 to the financial statements, an error resulting in the understatement of other liabilities and the overstatement of comprehensive treatment contract revenue and unrestricted net assets as of June 30, 2004 was discovered by management of the Company during the current year. Accordingly, the June 30, 2004 financial statements have been restated to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 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 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 aforementioned financial statements taken as a whole.

A handwritten signature in black ink that reads "Winther, Steve A. CPA". The signature is written in a cursive style with a large, stylized 'W' and 'S'.

September 30, 2005

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2005  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

ASSETS

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS:</b>		
Cash (Notes 1 and 6) .....	\$500,710	\$472,411
Accounts receivable - net (Notes 1 and 2) .....	63,534	101,550
Prepaid expenses .....	<u>33,151</u>	<u>26,613</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>597,395</u></b>	<b><u>600,574</u></b>
<b>PROPERTY AND EQUIPMENT (Note 1):</b>		
Office equipment .....	188,439	184,960
Video system and equipment .....	156,889	154,303
Leasehold improvements .....	<u>67,742</u>	<u>67,042</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>413,070</b>	<b>406,305</b>
Less accumulated depreciation .....	<u>(387,244)</u>	<u>(364,249)</u>
<b>PROPERTY AND EQUIPMENT - NET</b>	<b><u>25,826</u></b>	<b><u>42,056</u></b>
<b>OTHER ASSETS:</b>		
Non-marketable security (Note 3) .....	<u>39,214</u>	<u>32,408</u>
<b>TOTAL ASSETS</b>	<b><u>\$662,435</u></b>	<b><u>\$675,038</u></b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 7,480	\$ 5,031
Other liabilities (Note 9) .....		70,707
Accrued vacation pay (Note 1) .....	35,746	32,799
Accrued unemployment claims (Note 1) .....	<u>16,193</u>	<u>16,193</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>59,419</u></b>	<b><u>124,730</u></b>
<b>NET ASSETS:</b>		
Unrestricted (Notes 1 and 9) .....	570,529	508,253
Temporarily restricted (Note 1) .....	<u>32,487</u>	<u>42,055</u>
<b>TOTAL NET ASSETS</b>	<b><u>603,016</u></b>	<b><u>550,308</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$662,435</u></b>	<b><u>\$675,038</u></b>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract .....	\$ 655,328	\$ 567,171
Comprehensive prevention contract .....	157,694	157,194
Other contracts .....	235,826	210,356
Counties .....	109,636	112,448
Cities .....	7,305	4,702
Donations .....	815	1,000
Client fees .....	524,420	559,409
Other fees .....	59,374	70,007
Interest .....	12,069	10,007
Other .....	<u>26,238</u>	<u>28,030</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>1,788,705</u>	<u>1,720,324</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>9,568</u>	<u>11,807</u>
EXPENSES:		
Program services .....	1,421,573	1,413,051
Support services .....	<u>314,424</u>	<u>301,446</u>
TOTAL EXPENSES	<u>1,735,997</u>	<u>1,714,497</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>62,276</u>	<u>17,634</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Foundation contribution .....		15,000
Net assets released from restrictions .....	<u>(9,568)</u>	<u>(11,807)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(9,568)</u>	<u>3,193</u>
NET ASSETS - BEGINNING OF YEAR .....	<u>550,308</u>	<u>529,481</u>
NET ASSETS - END OF YEAR	<u>\$ 603,016</u>	<u>\$ 550,308</u>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2005  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

	2005			2004
	Program Services	Support Services	Total	Total
Salaries and wages .....	\$ 799,565	\$184,950	\$ 984,515	\$ 968,432
Fringe benefits and payroll taxes .....	<u>258,099</u>	<u>62,964</u>	<u>321,063</u>	<u>300,685</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,057,664	247,914	1,305,578	1,269,117
Auditing and legal services .....		8,016	8,016	8,747
Bad debts .....	24,000		24,000	24,000
Contract services .....	66,147		66,147	61,499
Insurance .....	12,529	4,703	17,232	15,649
Medical services .....	4,800		4,800	4,800
Miscellaneous .....	7,089	4,555	11,644	11,144
Rent .....	83,551	13,143	96,694	97,152
Repairs and maintenance .....	29,494	7,575	37,069	37,754
Special projects .....	25,723		25,723	24,280
Staff training and education .....	6,183	9,218	15,401	18,654
Supplies .....	33,901	5,566	39,467	44,081
Telephone .....	17,852	3,238	21,090	21,524
Travel .....	29,748	2,521	32,269	25,918
Utilities .....	<u>7,344</u>	<u>201</u>	<u>7,545</u>	<u>8,723</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,406,025	306,650	1,712,675	1,673,042
Depreciation .....	<u>15,548</u>	<u>7,774</u>	<u>23,322</u>	<u>41,455</u>
TOTAL EXPENSES	<u>\$1,421,573</u>	<u>\$314,424</u>	<u>\$1,735,997</u>	<u>\$1,714,497</u>

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets .....	\$ 52,708	\$ 20,827
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation .....	23,322	41,455
(Increase) decrease in current assets:		
Accounts receivable .....	38,016	(25,029)
Prepaid expenses .....	(6,538)	(137)
Increase (decrease) in current liabilities:		
Accounts payable .....	2,449	(1,771)
Accrued expenses and other liabilities .....	<u>(67,760)</u>	<u>73,452</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>42,197</u>	<u>108,797</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment .....	(7,092)	(3,860)
Purchase of non-marketable security .....	<u>(6,806)</u>	<u>(17,322)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(13,898)</u>	<u>(21,182)</u>
NET INCREASE IN CASH	28,299	87,615
CASH AT BEGINNING OF YEAR .....	<u>472,411</u>	<u>384,796</u>
CASH AT END OF YEAR	<u>\$500,710</u>	<u>\$472,411</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 statement 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 private foundation contributions 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, 2006.

**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 2004 comparative information. With respect to the Statement of Functional Expenses, 2004 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, 2004 from which the summarized information was derived. See also Note 9.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Contracted services .....	\$ 56,107	\$ 73,338
Client fees .....	<u>130,577</u>	<u>137,463</u>
Total accounts receivable	186,684	210,801
Less allowance for doubtful accounts .....	<u>(123,150)</u>	<u>(109,251)</u>
Accounts Receivable - Net	<u>\$ 63,534</u>	<u>\$101,550</u>

At June 30, 2005 and 2004, 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 120 shares, including 20 shares acquired during the fiscal year ended June 30, 2005, 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 five offices at various locations under non-cancelable operating leases expiring from December 2005 through November 2008. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2006 .....	\$ 64,690
2007 .....	12,900
2008 .....	9,300
2009 .....	<u>3,875</u>
Total	<u>\$ 90,765</u>

Rent expenses under the above leases and monthly leases for four additional locations totaled \$96,694 and \$97,152 for the years ended June 30, 2005 and 2004, 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 \$54,809 and \$49,660 for the years ended June 30, 2005 and 2004, 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 gambling treatment services for the fiscal year ending June 30, 2006 totaling \$318,058. 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, 2006 totaling \$635,520.

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, 2006 are approximately equal to amounts received for the fiscal year ended June 30, 2005. 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.

**9. PRIOR PERIOD ADJUSTMENT**

An error resulting in an understatement of other liabilities and an overstatement of comprehensive treatment contract revenue and unrestricted net assets as of June 30, 2004 was discovered during the current fiscal year. Accordingly, an adjustment of \$70,707 was made to increase other liabilities and decrease comprehensive treatment contract revenue and unrestricted net assets at June 30, 2004.

**SUPPLEMENTAL INFORMATION**

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

<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		\$288,991
Comprehensive prevention .....	93.959	5885CP23	<u>146,172</u>
Total block grants			<u>435,163</u>
Consolidated knowledge development and application (KD & A) program .....			
	93.230	5884IP09 5885IP09	25,092
Total KD & A program			<u>64,276</u> <u>89,368</u>
Total U.S. Department of Health and Human Services			524,531
U.S. Department of Education:			
Passed through the Iowa Department of Public Health:			
Safe and drug-free schools and communities - State Grants .....	84.186	5885DV10	<u>55,000</u>
TOTAL			<u>\$579,531</u>

## NOTE A - BASIS OF PRESENTATION

The 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 on 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 financial statements.

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

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351  
Phone 712-338-2488  
FAX 712-338-2510

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INDEPENDENT AUDITORS' 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

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, 2005 and have issued our report thereon dated September 30, 2005. We conducted our audit 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.

**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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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 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*.

Comments involving statutory and other legal matters about ADTU's operations for the year ended June 30, 2005 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. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

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.

A handwritten signature in cursive script that reads "Wintner, Stone & Co LLP". The signature is written in black ink and is positioned in the lower right quadrant of the page.

September 30, 2005

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

1316 West 18th Street  
P.O. Box 175  
Spencer, Iowa 51301-0175  
Phone 712-262-3117  
FAX 712-262-3159

1004 21st Street #4  
P.O. Box 187  
Milford, Iowa 51351  
Phone 712-338-2488  
FAX 712-338-2510

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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, 2005. 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 grant agreements 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 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 OMB Circular A-133 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 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, 2005.

**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 grant agreements 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 reportable 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 grant agreements caused by error or fraud 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.

Handwritten signature in cursive script, appearing to read "Wintner, Stone & Co. LLP".

September 30, 2005

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**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, 2005

**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.