

**Northwest Iowa Mental Health Center  
D/B/A Seasons Center For Community  
Mental Health**

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**

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**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
BOARD OF DIRECTORS**

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<u>Name</u>	<u>Title</u>	<u>County Represented</u>
Darwin Beltman	President	Osceola
Jake Moermond	Vice-President	O'Brien
Sylvia Schoer	Secretary-Treasurer	Clay
Charlene Anderson	Director	Buena Vista
Jim Gustafson	Director	Buena Vista
Bill Lanphere	Director	Buena Vista
Del Brockshus	Director	Clay
Marilyn White	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Roger Anderson	Director	Emmet
Ron Smith	Director	Emmet
Randy Bosch	Director	Lyon
Jasper Ter Wee	Director	Lyon
Tom Farnsworth	Director	O'Brien
Daryl Streng	Director	Osceola
Philip Currans	Director	Palo Alto
Mary Green	Director	Palo Alto
Lannie Miller	Director	Palo Alto
Judith McDonough	Executive Director	



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Northwest Iowa Mental Health Center  
D/B/A Seasons Center For Community Mental Health  
Spencer, Iowa

We have audited the accompanying statement of financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of **Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health** as of June 30, 2005 were audited by other auditors whose report dated August 11, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2006, and the changes in its net assets, and cash flows for the year 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 July 25, 2006 on our consideration of **Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health'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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
July 25, 2006

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 356,530	\$ 272,190
Receivables		
Patient, net of estimated uncollectibles of \$100,000 in 2006 and \$115,000 in 2005	221,670	232,353
Accounts receivable, counties and other governmental agencies	129,951	75,354
Accrued Interest	5,602	-
Supplies	6,500	6,500
Prepaid expenses	49,365	71,655
	<u>769,618</u>	<u>658,052</u>
Total current assets		
	<u>769,618</u>	<u>658,052</u>
<b>PROPERTY AND EQUIPMENT</b>	<u>487,847</u>	<u>445,973</u>
<b>OTHER ASSETS</b>		
Investment	<u>11,000</u>	<u>11,000</u>
Total assets	<u>\$ 1,268,465</u>	<u>\$ 1,115,025</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Trade	\$ 28,109	\$ 66,255
Accrued expenses		
Salaries and wages	44,161	34,154
Vacation	79,737	86,314
Payroll taxes and other	15,199	32,859
	<u>167,206</u>	<u>219,582</u>
Total liabilities		
	<u>167,206</u>	<u>219,582</u>
<b>NET ASSETS</b>		
Unrestricted	1,101,259	889,284
Temporarily	-	6,159
	<u>1,101,259</u>	<u>895,443</u>
Total net assets		
	<u>1,101,259</u>	<u>895,443</u>
Total liabilities and net assets	<u>\$ 1,268,465</u>	<u>\$ 1,115,025</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>
<b>PUBLIC SUPPORT AND REVENUES</b>		
Public support:		
Counties	\$ 1,168,140	\$ 1,180,894
Federal grants	230,489	219,878
Other grants	97,058	79,506
Contributions	292	321
Total public support	<u>1,495,979</u>	<u>1,480,599</u>
Revenues:		
Net patient and resident services	1,878,552	1,825,843
Other program and fee income	358,680	290,275
Investment income	21,747	8,835
Miscellaneous income	18,169	14,097
Total revenues	<u>2,277,148</u>	<u>2,139,050</u>
Total support and revenues	<u>3,773,127</u>	<u>3,619,649</u>
<b>EXPENSES</b>		
Outpatient care	803,790	667,310
Community support	211,251	240,061
Case management	247,872	199,470
ISP Grant	204,553	192,877
Psychiatric	680,259	659,945
Administration	470,855	413,527
Oak Haven Care Facility	948,732	940,612
Total expenses	<u>3,567,311</u>	<u>3,313,802</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>205,816</b>	<b>305,847</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u><b>6,159</b></u>	<u>-</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>211,975</b>	<b>305,847</b>
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u><b>(6,159)</b></u>	<u>-</u>
<b>INCREASE IN NET ASSETS</b>	<b>205,816</b>	<b>305,847</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u><b>895,443</b></u>	<u><b>589,596</b></u>
<b>NET ASSETS - END OF YEAR</b>	<u><u><b>\$ 1,101,259</b></u></u>	<u><u><b>\$ 895,443</b></u></u>

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005**

	OUT- PATIENT	COMMUNITY SUPPORT	CASE MANAGEMENT
Salaries and wages	\$ 543,234	\$ 145,978	\$ 169,220
Purchase of services	1,921	-	-
Payroll and unemployment taxes	35,103	10,148	10,771
Workers compensation	3,018	850	937
Medical insurance	34,211	15,739	18,207
Disability insurance	-	-	-
Retirement	13,913	3,898	4,331
Staff development	5,401	512	3,102
Recruiting and moving	292	-	24
Malpractice insurance	5,725	2,494	2,714
Psychiatric and medical supplies	78	-	-
Pharmacy and other medical services	108	-	-
Work activities expense	-	-	-
Auto insurance	147	305	346
Auto repairs and maintenance	840	327	135
Auto gas	1,829	763	2,138
Mileage	23,324	6,205	1,609
Other travel expenses	-	-	-
Rent	36,967	7,114	-
Insurance	2,468	703	763
Depreciation	21,138	4,661	7,556
Utilities	13,459	1,714	4,061
Building repairs and maintenance	9,806	1,234	2,859
Professional services	2,948	593	1,062
Computer services	2,509	491	690
Board and administrative expenses	86	17	31
Dues and subscriptions	1,128	208	337
Advertising and promotion	101	12	9
Supplies	7,175	938	4,264
Postage	2,608	526	1,216
Printing	1,008	123	130
Telephone	20,344	4,662	4,547
Rentals	10,223	795	6,473
Equipment repair and maintenance	2,635	244	338
Interest	-	-	-
Food and provisions	-	-	-
Bank and credit card charges	42	-	-
	<u>\$ 803,790</u>	<u>\$ 211,251</u>	<u>\$ 247,872</u>

See Notes to Financial Statements

ISP GRANT	PSYCHIATRIC	ADMIN	OAK HAVEN	TOTALS	
				2006	2005
\$ 115,690	\$ 384,336	\$ 307,422	\$ 602,118	\$ 2,267,998	\$ 2,080,320
21,522	62,778	120	1,705	88,047	89,219
-	27,583	24,622	42,015	150,243	148,180
-	2,473	2,386	7,792	17,457	22,885
26,772	49,431	39,255	60,219	243,835	236,571
-	-	-	-	-	14,247
-	11,223	10,008	14,663	58,037	67,856
4,686	1,047	2,598	2,049	19,395	20,246
38	3,207	87	2,334	5,982	7,170
-	17,340	3,259	1,050	32,583	35,344
-	-	-	2,502	2,580	1,998
7,784	-	-	1,894	9,786	881
-	-	-	3,346	3,346	5,109
1,574	853	338	2,648	6,210	5,865
3,209	10	-	4,154	8,675	5,335
2,756	-	115	3,122	10,722	7,670
1,120	3,854	5,962	2,269	44,342	40,340
2,707	-	-	-	2,707	1,436
100	23,119	-	-	67,300	66,210
-	2,055	1,790	19,512	27,291	31,356
-	23,476	7,448	5,965	70,244	64,074
-	12,885	3,190	46,308	81,618	67,274
54	9,820	2,971	19,079	45,821	24,315
-	3,361	3,644	2,703	14,310	16,562
113	2,411	11,994	1,443	19,649	31,847
-	96	25,036	922	26,189	8,083
-	1,119	644	2,656	6,092	4,932
-	74	397	-	593	281
2,683	7,044	2,143	3,761	28,007	27,701
1,260	3,982	1,213	2,370	13,176	14,176
38	497	576	-	2,372	2,972
1,417	18,596	4,476	4,469	58,510	53,637
11,032	5,758	5,850	10,026	50,156	12,954
-	1,830	1,258	1,626	7,931	9,328
-	-	-	-	-	14,167
-	-	-	74,012	74,012	71,982
-	-	2,053	-	2,095	1,279
<u>\$ 204,553</u>	<u>\$ 680,259</u>	<u>\$ 470,855</u>	<u>\$ 948,732</u>	<u>\$ 3,567,311</u>	<u>\$ 3,313,802</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 205,816	\$ 305,847
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	70,244	64,074
Changes in assets and liabilities		
Accounts receivable - patient fees, net	10,683	(23,999)
Accounts receivable - counties and other governmental agencies	(54,597)	29,965
Accrued interest receivable	(5,602)	-
Prepaid expenses	22,290	(5,568)
Accounts payable	(38,146)	59,784
Accrued payroll	(7,653)	(62,324)
Accrued vacation pay	(6,577)	12,367
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>196,458</u>	<u>380,146</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(112,118)</u>	<u>(31,378)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments	<u>-</u>	<u>(282,297)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>84,340</b>	<b>66,471</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>272,190</u>	<u>205,719</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 356,530</u>	<u>\$ 272,190</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ -</u>	<u>\$ 14,167</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

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**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health (Center) is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Center provides these services based on an agreement with various county boards of supervisors as provided for in Chapter 230A.3(2) of the Code of Iowa. Services are provided to individuals in an eight-county area which includes Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, and Palo Alto counties. In addition, the Center manages the Oak Haven Residential Care Facility in Dickinson County.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

*Patient and Resident Receivables*

Patient receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

*Supplies*

Supplies are stated at lower of cost (first in, first out) or market.

## NOTES TO FINANCIAL STATEMENTS

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### *Property and Equipment*

Property and equipment acquisitions in excess of \$2,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-50 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from change in net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

### *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity. As of June 30, 2006, the Center did not have any temporarily or permanently restricted net assets.

### *Net Patient Service Revenue*

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

### *Advertising Costs*

The Center expenses advertising costs as incurred.

### *Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## NOTE 2 - INVESTMENTS

The Center owns 110 shares of Class C stock of Tri-State Behavioral Health Associates, Inc., which represents an 11% ownership in a closely-held corporation. Tri-State is a for-profit consortium of mental health and substance abuse agencies and private psychiatric practitioners. It was formed as a management service organization to coordinate provider and hospital participation in managed care contracting and arrange for the provision and management of quality, cost-effective behavioral health care services. This investment is recorded on the financial statements at cost. There is no ready market for the Class C stock at present. The Center received \$11,000 and \$8,800 in dividends during fiscal year ended June 30, 2006 and 2005.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2006 and 2005 follows:

	2006		2005	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	\$ 732,610	\$ 410,915	\$ 704,166	\$ 393,639
Vehicles	71,269	46,174	59,269	38,220
Furniture and equipment	895,402	754,345	823,727	709,330
	<u>\$ 1,699,281</u>	<u>\$ 1,211,434</u>	<u>\$ 1,587,162</u>	<u>\$ 1,141,189</u>
		<u>\$ 487,847</u>		<u>\$ 445,973</u>

### NOTE 4 - LEASE COMMITMENTS

On August 13, 1976, the Center entered into a lease with Spencer Municipal Hospital, Spencer, Iowa, for land on the hospital grounds on which to construct the mental health facility. The lease of the hospital's land provides for a \$1 a month payment from the Center for fifty years. At the expiration of the fifty years, the property will revert back to Spencer Municipal Hospital.

The Center leases office space and equipment under noncancelable long term lease agreement. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2006 and 2005 for all operating leases was \$77,435 and \$72,357.

Minimum future lease payments for the operating leases are as follows:

<u>Year Ending June 30:</u>	<u>Operating Leases</u>
2007	\$ 74,642
2008	52,242
2009	12,827
2010	10,663
2011	3,972
Total Minimum Lease payments	<u>\$ 154,346</u>

(continued on next page)

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Funds restricted for general repairs and maintenance	<u>\$ -</u>	<u>\$ 6,159</u>

**NOTE 6 - PENSION PLAN**

The Center maintains a 401(k) plan administered by The Hartford Company. The plan covers substantially all full time employees. For the year ended June 30, 2006, the Center contributed an amount equal to 4% of the annual salary for each employee participating in the plan, although this is not required by the terms of the plan. The Center had contributed between 2% to 5% of eligible annual salaries in prior years. The plan also allows employees to make pre-tax contributions if they so desire. Employer contributions credited to individual participants are subject to a five-year vesting schedule. The vested accumulated monies are paid upon a participant's retirement on termination. The Center's retirement expense totaled \$58,037 and \$67,856 for the years ended June 30, 2006 and 2005.

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Center provides counseling to individuals in an eight-county area. The Center grants credit to these individuals and the eight counties. The Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2006 and 2005 was as follows:

	<u>2006</u>	<u>2005</u>
Medicare	23%	11%
Blue Cross	12%	12%
Medicaid	23%	26%
Commercial insurance	10%	7%
Other third-party payors and patients	32%	44%
	<u>100%</u>	<u>100%</u>

The Center's cash balances are maintained in various bank accounts. At various times during the year the balances in these bank accounts were over the FDIC insurance limits.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - FUNCTIONAL EXPENSES

The Center provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Patient health care services	\$ 3,096,456	\$ 2,900,275
General and administrative	<u>470,855</u>	<u>413,527</u>
	<u>\$ 3,567,311</u>	<u>\$ 3,313,802</u>

### NOTE 9 - ECONOMIC DEPENDENCY ON MEMBER COUNTIES AND THIRD-PARTY PAYORS

The Center received \$889,144, or 24% of the Center's total revenues, from the eight member counties during the year ended June 30, 2006 for mental health services. In addition another \$358,680, or 9% of total revenues, was received from four of the counties for case management fees, related to those county residents. Together this represents 33% of the Center's total support and revenue. The Counties also purchased services totaling \$264,357 from the Oak Haven for residents living at the facility. This represents 24% of Oak Haven's total support and revenue.

The Center also received a substantial amount of its revenue from third-party payors, such as Medicare, Medicaid and Blue Cross. A significant reduction in reimbursement from any of these parties could have a material impact on the Center's programs and services.

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**

***SUPPLEMENTARY INFORMATION***



CPAs & BUSINESS ADVISORS

**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**

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The Board of Directors  
Northwest Iowa Mental Health Center  
D/B/A Seasons Center For Community Mental Health  
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health, as of and for the year ended June 30, 2006, and have issued our report thereon dated July 25, 2006. 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 Financial Reporting

In planning and performing our audit, we considered the Center'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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Finding.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying schedule of findings is not a material weakness. We also noted other matters involving internal control over financial reporting, which we have reported to the management of Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health Center in a separate letter dated July 25, 2006.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
July 25, 2006

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
SCHEDULE OF FINDING  
YEAR ENDED JUNE 30, 2006**

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**FINDING 06-1**

*Condition:* The Facility has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

*Criteria:* A good system of internal accounting control contemplates an adequate segregation of duties so that not one individual handles a transaction from its inception to its completion.

*Effect:* Inadequate segregation of duties could adversely affect the Facility's ability to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* While we recognize that your office staff may not be large enough to assure optimal internal control, it is important that you are aware of this condition. Under this condition, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

*Response:* Management does not plan to respond to the finding, as management believes that it is not possible to implement a cost effective solution at this time.