

Poweshiek County Mental Health Center

**Independent Auditor's Reports
Financial Statements and
Supplemental Information
June 30, 2006**

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Poweshiek County Mental Health Center
Board of Directors
June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyle Roudabush	President	2006
Frank Brownell	Director	2008
Ray Bush	Director	2006
Dorothy Sugden	Director	2008
Abbey Scheckter	Director	2009
John Reynolds	Director	2009
Katherine McClelland	Director	2006
Austin Jones	Director	2006
Wendy Munyon	Director	2007
Doug Shutts	Director	2006
Gary Meldrem	Ex-officio	
William Barker	Executive Director	Indefinite

Independent Auditor's Report

To the Board of Directors of
Poweshiek County Mental Health Center:

We have audited the accompanying statement of financial position of Poweshiek County Mental Health Center as of June 30, 2006 and the related statements of activities and functional expenses, net assets, 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.

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 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 that 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 Poweshiek County Mental Health Center at June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying information on pages 13 to 16 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements referred to above; and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2006 on our consideration of Poweshiek County Mental Health Center'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.

ROLAND & DIELEMAN

Certified Public Accountants

August 1, 2006

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2006

Exhibit A

Assets

Current Assets:		
Cash (Note 1)		\$ 180,409
Accounts Receivable:		
Consumers	150,608	
Funding sources	<u>61,279</u>	
	211,887	
Less: Allowance for doubtful accounts	<u>(64,981)</u>	
Total Accounts Receivable		146,906
Prepaid Expense:		
Insurance	16,667	
Supplies	<u>2,337</u>	
Total Prepaid Expenses		<u>19,004</u>
Total Current Assets		346,319
Property and Equipment: (Note 2)		
Land and land improvements	9,344	
Leasehold improvements	20,078	
Building	476,514	
Office equipment and furniture	137,752	
Van	<u>7,949</u>	
	651,637	
Less: Accumulated depreciation - Equipment, furniture, and building (Note 2)	<u>(249,923)</u>	
Total Undepreciated Value of Property and Equipment		401,714
Other Asset:		
Reserve account (Note 3)		<u>17,331</u>
Total Assets		<u>\$ 765,364</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2006

Exhibit A

Liabilities and Net Assets

Current Liabilities:		
Accrued payroll tax	\$ 1,376	
Accounts payable	31,223	
Accrued vacation (Note 1)	50,764	
TSA payable	3,009	
Current portion long-term liabilities	<u>8,920</u>	
Total Current Liabilities		95,292
Long-Term Liabilities:		
Note payable - Capmark (Note 4)	109,351	
Note payable - USDA (Note 4)	279,087	
Less: Current portion shown above	<u>(8,920)</u>	
Total Long-Term Liabilities		<u>379,518</u>
Total Liabilities		474,810
Net Assets - temporarily restricted	17,331	
Net Assets - unrestricted	<u>273,223</u>	<u>290,554</u>
Total Liabilities and Net Assets		<u>\$ 765,364</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Activities and Functional Expenses
Year Ended June 30, 2006

Exhibit B

	<u>Budget</u>	<u>Amount Current Fund</u>
Unrestricted Net Assets:		
Public Support and Revenues:		
Public Support:		
Poweshiek County	\$ 75,000	\$ 86,238
City of Grinnell - Campbell Fund	9,000	9,000
Grinnell College	269,000	269,000
Grants	50,224	82,747
United Fund	12,500	13,550
Contract services	302,146	279,951
Region VI reimbursement	2,200	2,175
Supported community living	93,900	105,677
Out of county	7,000	7,898
State case	<u>20,000</u>	<u>12,561</u>
	<u>840,970</u>	<u>868,797</u>
Revenue:		
Patient fees - net	685,000	721,268
Interest income	500	4,830
Miscellaneous	<u>5,000</u>	<u>5,881</u>
	<u>690,500</u>	<u>731,979</u>
 Total Unrestricted Revenues and Other Support	 <u>1,531,470</u>	 <u>1,600,776</u>
Expenses:		
Program Services : Mental Health Center Programs		
Salaries (Schedule 2)	1,067,252	1,080,256
Retirement	80,080	84,332
Payroll taxes	73,288	77,691
Employee insurance	98,242	98,685
Travel and conferences	27,804	24,465
Professional fees (Schedule 3)	4,700	27,545
Data system	6,000	9,417
Telephone	9,000	10,582
Insurance - professional and director's liability	27,305	28,699
Repairs and occupancy	15,917	20,631
Interest	26,353	19,042
Subscriptions and reference publications	400	440
Dues	2,600	3,022
Audit and legal	4,600	6,565
General	5,500	12,243
Uncollectible accounts	12,000	13,497

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Net Assets
Year Ended June 30, 2006

Exhibit C

Net assets, beginning of year	\$ 270,454
Changes in net assets	<u>20,100</u>
Net assets, end of year	\$ <u>290,554</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Cash Flows
Year Ended June 30, 2006

Exhibit D

Cash Flows from Operations:	
Change in Net Assets	\$ 20,100
Adjustments to reconcile change in net assets to net cash used:	
Depreciation	20,513
Changes in Assets and Liabilities:	
Accounts receivable	(31,433)
Prepayments	(1,235)
Accounts payable and accruals	23,122
Accrued vacation	<u>14,746</u>
Net Cash Provided by Operations	45,813
Cash Flows Used for Investing:	
Equipment and building	(7,690)
Cash Flows Used for Financing Activities:	
Payment on debt	(<u>8,401</u>)
Net Increase in Cash	29,722
Beginning Cash Balance	<u>168,018</u>
Ending Cash Balance	\$ <u><u>197,740</u></u>

The Center considers all short-term investments to be cash equivalents. The Center paid interest of \$19,042 for the year ended June 30, 2006.

See notes to financial statements.

Poweshiek County Mental Health Center
Notes to Financial Statements
June 30, 2006

Note (1) Summary of Significant Accounting Policies

A. Reporting Entity

The 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. Services are provided to residents of Poweshiek County and surrounding areas.

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.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Current Fund - The current fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The Center's board may designate portions of the current fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for any designations within the current fund and segregates the designated and undesignated portions of the fund within the net assets section of the statement of financial position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Purchases of property and equipment providing future benefits are directly charged against the current fund balance.

D. 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 the Center and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets set aside 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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting policies are followed in preparing the statement of financial position:

Cash and Cash Equivalents - The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 40 years. No interest costs were capitalized since there were no qualifying assets. Assets purchased under \$1,000 are charged directly to expense.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2006.

F. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the

related services are rendered and adjusted in future periods as final settlements are determined.

Note (2) Property and Equipment

A summary of changes in property and equipment is as follows:

	<u>Balance Beg.</u> <u>of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End</u> <u>of Year</u>
Land and land improvements	\$ 9,344	\$ 0	\$ 0	\$ 9,344
Leasehold improvements	20,078	0	0	20,078
Building	476,514	0	0	476,514
Furniture and fixtures	130,062	7,690	0	137,752
Van	<u>7,949</u>	<u>0</u>	<u>0</u>	<u>7,949</u>
	<u>\$ 643,947</u>	<u>\$ 7,690</u>	<u>\$ 0</u>	<u>\$ 651,637</u>

Note (3) Reserve Account

A reserve is required to take care of one year's note payment.

Note (4) Long-Term Liabilities

The note payable with Capmark in the original amount of \$135,082 is for the new office building. The interest rate is 5%. The payment is \$938 per month until the year 2020.

The note with the USDA is for a new building addition. Original amount is \$284,000. Payments are \$1,349.00 per month including interest at 4¾% until 2042.

Long-term liabilities maturing in the next five years consist of:

2007	\$ 8,920
2008	\$ 9,367
2009	\$ 9,840
2010	\$ 10,335
2011	\$ 10,852

Note (5) Pension and Retirement Plan

The Center maintains a 403(b) retirement plan as authorized by the Center's by-laws. The plan is available to all employees who have completed one year of service.

Under the terms of the plan, the Center contributes an amount equal to 9% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended June 30, 2006, the Center's required and actual contributions amounted to \$84,332, which is 9% of its current year covered payroll of \$937,022. The Center's total current year payroll for all employees was \$1,080,256.

Note (6) Leases

The Center does lease the bottom floor of the Pearl Street Apartments which is used for the Clubhouse. The rent is \$477 per month.

Note (7) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note (8) Risk Management

Poweshiek County Mental Health Center 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 commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note (9) Concentration of Credit Risk

The Center maintains cash balances at financial institutions located in Central Iowa. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006, the Center's uninsured cash balances totaled \$39,472.

Poweshiek County Mental Health Center
Statement of Receipts and Receivables from County
Year Ended June 30, 2006
(Unaudited)

Schedule 1

<u>County</u>	<u>Received</u>	<u>Accounts Receivable</u>	<u>Total</u>
Poweshiek	\$ <u>66,026</u>	\$ <u>20,212</u>	\$ <u>86,238</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Employees' Salaries
Year Ended June 30, 2006
(Unaudited)

Schedule 2

Employee:	<u>Salaries</u>
William Barker	\$ 53,125
John Daniel	3,360
Lisa Bard	29,539
Trudy Magurshak	34,546
Laura Van Cleve	148,971
Ann Standerwick	25,049
Harriet Dickey-Chasins	40,152
Barbara Moore	32,337
Mary Steele	38,170
Susan Hopwood	52,308
Kelly Tokle	34,029
Leo Schmitz	655
Betty Stepp	27,226
Pam Tekippe	34,076
Kerri Husman	165,308
Judy Nikkel	26,137
Dorothy Sugden	2,045
Julie Andrews	24,590
Julie Wendl	32,499
Kevin Bass	21,219
Brandon Davis	52,936
Teresa Fisher	38,559
Kate Jensen	17,369
Kris Morrison	37,077
Debra Tompkins	3,822
Michele Walker	42,931
Shanna Wathen	9,779
Walter Frazier	187
Casie Riney	50,200
Kathryn Sanford	1,445
Tyne Steele	<u>610</u>
	<u>\$ 1,080,256</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Professional Fees
Year Ended June 30, 2006
(Unaudited)

Schedule 3

<u>Professional</u>	<u>Services Performed</u>	<u>Rate</u>	<u>Total</u>
Aly Hicks	Case Manager	\$ 368 per month	\$ 2,208
John Daniel	Ph.D.	\$ 43.06 per hour	2,837
UIHC - Beth Chung	M.D.		<u>22,500</u>
			\$ <u>27,545</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Case Load
Year Ended June 30, 2006
(Unaudited)

Schedule 4

<u>County</u>	<u>Re-opened</u>	<u>Opened</u>	<u>Total</u>
Poweshiek	30	222	1,583
Total Office Operating Expenses			
Less: Clubhouse expense			\$ 1,543,350
Total Patients			1,583
Per Patient			\$ 975

See accompanying independent auditor's report.

**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 Poweshiek County Mental Health Center:

We have audited the financial statements of the Poweshiek County Mental Health Center as of and for the year ended June 30, 2006, and have issued our report thereon dated August 1, 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 Poweshiek County Mental Health 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. 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 Poweshiek County Mental Health Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. There were no reportable conditions.

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 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.

Compliance

As part of obtaining reasonable assurance about whether the Poweshiek County Mental Health 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.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. 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 Poweshiek County Mental Health 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Poweshiek County Mental Health Center 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.

ROLAND & DIELEMAN

Certified Public Accountants

August 1, 2006

Poweshiek County Mental Health Center

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA

Roger D. Roland, CPA