

**NORTHWEST IOWA ALCOHOLISM AND
DRUG TREATMENT UNIT, INC.
INDEPENDENT AUDITORS' REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2007**

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.

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NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.
OFFICIALS
JUNE 30, 2007

EXECUTIVE DIRECTOR JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2008)

Officers:

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

Delegates:

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Daryl Streng

Palo Alto County Ron Graettinger

Sioux County Dennis Wright
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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northwest Iowa Alcoholism and
Drug Treatment Unit, Inc.

We have audited the accompanying statement of financial position of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU) as of June 30, 2007, 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, 2006 financial statements and, in our report dated October 9, 2006, 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. at June 30, 2007 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007 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 performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 12 is presented for purposes of additional analysis and is not a required part of the basic 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.

Winter, Stone & Co LLP

October 31, 2007

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

ASSETS

| | <u>2007</u> | <u>2006</u> |
|---|-------------------------|-------------------------|
| CURRENT ASSETS: | | |
| Cash (Notes 1 and 6) | \$378,728 | \$469,368 |
| Accounts receivable - net (Notes 1 and 2) | 164,381 | 113,036 |
| Prepaid expenses | <u>32,977</u> | <u>31,327</u> |
| TOTAL CURRENT ASSETS | <u>576,086</u> | <u>613,731</u> |
| PROPERTY AND EQUIPMENT (Note 1): | | |
| Office equipment | 180,082 | 191,667 |
| Video system and equipment | 124,434 | 158,997 |
| Leasehold improvements | <u>77,520</u> | <u>67,742</u> |
| TOTAL PROPERTY AND EQUIPMENT | 382,036 | 418,406 |
| Less accumulated depreciation | <u>(345,603)</u> | <u>(400,247)</u> |
| PROPERTY AND EQUIPMENT - NET | <u>36,433</u> | <u>18,159</u> |
| OTHER ASSETS: | | |
| Non-marketable security (Note 3) | <u>39,214</u> | <u>39,214</u> |
| TOTAL ASSETS | <u>\$651,733</u> | <u>\$671,104</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-------------------------|-------------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 8,039 | \$ 12,242 |
| Other accrued expenses | 71 | |
| Accrued vacation pay (Note 1) | 33,749 | 30,730 |
| Accrued unemployment claims (Note 1) | <u>16,193</u> | <u>16,193</u> |
| TOTAL CURRENT LIABILITIES | <u>58,052</u> | <u>59,165</u> |
| NET ASSETS: | | |
| Unrestricted (Note 1) | 581,997 | 590,856 |
| Temporarily restricted (Note 1) | <u>11,684</u> | <u>21,083</u> |
| TOTAL NET ASSETS | <u>593,681</u> | <u>611,939</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$651,733</u> | <u>\$671,104</u> |

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| UNRESTRICTED NET ASSETS | | |
| PUBLIC SUPPORT AND REVENUES: | | |
| Comprehensive treatment contract | \$ 724,716 | \$ 645,300 |
| Comprehensive prevention contract | 155,902 | 155,253 |
| Other contracts | 249,276 | 200,229 |
| Counties | 118,940 | 111,798 |
| Cities | 6,112 | 7,642 |
| Donations | 5,330 | 575 |
| Client fees | 545,561 | 512,063 |
| Other fees | 57,146 | 102,073 |
| Interest | 21,944 | 18,786 |
| Other | 21,457 | 22,249 |
| TOTAL PUBLIC SUPPORT AND REVENUES | <u>1,906,384</u> | <u>1,775,968</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>9,399</u> | <u>11,404</u> |
| EXPENSES: | | |
| Program services | 1,552,114 | 1,432,417 |
| Support services | <u>372,528</u> | <u>334,628</u> |
| TOTAL EXPENSES | <u>1,924,642</u> | <u>1,767,045</u> |
| INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS | <u>(8,859)</u> | <u>20,327</u> |
| TEMPORARILY RESTRICTED NET ASSETS: | | |
| Net assets released from restrictions | <u>(9,399)</u> | <u>(11,404)</u> |
| DECREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>(9,399)</u> | <u>(11,404)</u> |
| NET ASSETS - BEGINNING OF YEAR | <u>611,939</u> | <u>603,016</u> |
| NET ASSETS - END OF YEAR | <u>\$ 593,681</u> | <u>\$ 611,939</u> |

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

| | 2007 | | | 2006 |
|--|---------------------------|-------------------------|---------------------------|---------------------------|
| | Program Services | Support Services | Total | Total |
| Salaries and wages | \$ 852,511 | \$200,305 | \$1,052,816 | \$ 980,751 |
| Fringe benefits and payroll taxes | 274,157 | 79,759 | 353,916 | 349,561 |
| TOTAL COMPENSATION AND RELATED EXPENSES | 1,126,668 | 280,064 | 1,406,732 | 1,330,312 |
| | | | | |
| Auditing and legal services | | 8,013 | 8,013 | 8,801 |
| Bad debts | 18,000 | | 18,000 | 18,000 |
| Contract services | 49,651 | | 49,651 | 83,730 |
| Insurance | 12,499 | 4,769 | 17,268 | 17,030 |
| Medical services | 4,800 | | 4,800 | 4,800 |
| Miscellaneous | 14,303 | 5,319 | 19,622 | 13,395 |
| Rent | 92,133 | 15,282 | 107,415 | 99,798 |
| Repairs and maintenance | 34,367 | 9,398 | 43,765 | 38,630 |
| Special projects | 66,671 | | 66,671 | 24,643 |
| Staff training and education | 19,152 | 32,469 | 51,621 | 18,275 |
| Supplies | 46,084 | 5,463 | 51,547 | 33,417 |
| Telephone | 18,250 | 3,348 | 21,598 | 21,076 |
| Travel | 29,751 | 3,182 | 32,933 | 33,399 |
| Utilities | 9,908 | 282 | 10,190 | 8,736 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 1,542,237 | 367,589 | 1,909,826 | 1,754,042 |
| | | | | |
| Depreciation | 9,877 | 4,939 | 14,816 | 13,003 |
| | | | | |
| TOTAL EXPENSES | <u>\$1,552,114</u> | <u>\$372,528</u> | <u>\$1,924,642</u> | <u>\$1,767,045</u> |

See Notes to Financial Statements

NORTHWEST IOWA ALCOHOLISM AND DRUG TREATMENT UNIT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

| | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ (18,258) | \$ 8,923 |
| Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities: | | |
| Depreciation | 14,816 | 13,003 |
| (Increase) decrease in current assets: | | |
| Accounts receivable | (51,345) | (49,502) |
| Prepaid expenses | (1,650) | 1,824 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | (4,203) | 4,762 |
| Accrued expenses | <u>3,090</u> | <u>(5,016)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(57,550)</u> | <u>(26,006)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | <u>(33,090)</u> | <u>(5,336)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(33,090)</u> | <u>(5,336)</u> |
| NET DECREASE IN CASH | (90,640) | (31,342) |
| CASH AT BEGINNING OF YEAR | <u>469,368</u> | <u>500,710</u> |
| CASH AT END OF YEAR | <u>\$378,728</u> | <u>\$469,368</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, 2008.

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 2006 comparative information. With respect to the Statement of Functional Expenses, 2006 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, 2006 from which the summarized information was derived.

2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2007 and 2006 consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Contracted services | \$ 86,519 | \$ 81,104 |
| Client fees | <u>219,690</u> | <u>171,228</u> |
| Total accounts receivable | 306,209 | 252,332 |
| Less allowance for doubtful accounts | <u>(141,828)</u> | <u>(139,296)</u> |
| Accounts Receivable - Net | <u>\$164,381</u> | <u>\$113,036</u> |

At June 30, 2007 and 2006, 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 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 three offices at various locations under non-cancelable operating leases expiring from November 2008 through June 2012. The future minimum lease payments are as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> |
|-----------------------------|------------------|
| 2008 | \$ 32,100 |
| 2009 | 24,275 |
| 2010 | 18,000 |
| 2011 | 18,000 |
| 2012 | <u>18,000</u> |
| Total | <u>\$110,375</u> |

Rent expenses under the above leases and monthly leases for five additional locations totaled \$107,415 and \$99,798 for the years ended June 30, 2007 and 2006, 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 \$50,716 and \$53,863 for the years ended June 30, 2007 and 2006, 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, 2008 totaling \$339,453. 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, 2008 totaling \$730,715.

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, 2008 is approximately equal to amounts received for the fiscal year ended June 30, 2007. 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. ADTU assumes liability for any deductibles and claims in excess of coverage limitations. 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 REVENUE AND EXPENSES BY CONTRACT
 IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 2007

| | Comprehensive Prevention 5887CP23 | Drug and Violence 5887DV10 | Youth Mentoring 5887YM10 | Prevention Through Mentoring 5887YM79 | Tobacco Use 5887TS51 | One on One Mentoring DCAT 07-080 | Gambling 5887GP01 | Total |
|--|---|----------------------------------|--------------------------------|--|----------------------------|--|----------------------|----------------|
| REVENUE: | | | | | | | | |
| Iowa Department of Public Health | \$155,902 | \$55,000 | \$45,000 | \$53,000 | \$30,000 | \$9,738 | \$51,735 | \$400,375 |
| EXPENSES: | | | | | | | | |
| Salaries & benefits | 85,462 | 25,836 | 32,833 | 19,991 | 13,527 | 7,538 | | 185,187 |
| Contract services | | 16,733 | | | | | | 16,733 |
| Equipment | | | | 2,960 | | | | 2,960 |
| Other operating expense | 50,814 | 5,258 | 6,298 | 23,134 | 12,579 | 930 | | 99,013 |
| Indirect expense | 19,626 | 7,173 | 5,869 | 6,915 | 3,894 | 1,270 | | 44,747 |
| Services: | | | | | | | | |
| Individual counseling | | | | | | | 5,827 | 5,827 |
| Family counseling | | | | | | | 210 | 210 |
| Group counseling | | | | | | | 3,360 | 3,360 |
| Contact/crisis | | | | | | | 260 | 260 |
| Education | | | | | | | 36,273 | 36,273 |
| Intake | | | | | | | 735 | 735 |
| Counselor training | | | | | | | 5,070 | 5,070 |
| Total Expenses | <u>155,902</u> | <u>55,000</u> | <u>45,000</u> | <u>53,000</u> | <u>30,000</u> | <u>9,738</u> | <u>51,735</u> | <u>400,375</u> |
| REVENUE OVER EXPENSES | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

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

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

To the Board of Directors of
Northwest Iowa Alcoholism and
Drug Treatment Unit, Inc.

We have audited the financial statements of Northwest Iowa Alcoholism and Drug Treatment Unit, Inc. (ADTU), Spencer, Iowa, as of and for the year ended June 30, 2007 and have issued our report thereon dated October 31, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of ADTU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ADTU's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ADTU's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of ADTU's financial statements that is more than inconsequential will not be prevented or detected by ADTU's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by ADTU's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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, 2007 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 "Winther, Steve R. CPA". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

October 31, 2007