

SOUTHWEST IOWA MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2007 AND 2006

SOUTHWEST IOWA MENTAL HEALTH CENTER

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SOUTHWEST IOWA MENTAL HEALTH CENTER
Officials
June 30, 2007

<u>Board of Directors:</u>	<u>Address</u>	<u>Term Expires</u>
Carolyn Groves, President	Massena, Iowa	September, 2009
Julie Gade, Vice-President	Atlantic, Iowa	September, 2008
Mary Jo Blunk, Secretary-Treasurer	Atlantic, Iowa	September, 2007
Maynard Hansen	Wiota, Iowa	September, 2009
Todd Pellett	Atlantic, Iowa	September, 2009
Phyllis Stakey	Massena, Iowa	September, 2008
Dave Dunfee	Atlantic, Iowa	September, 2007
Donna Rourick	Atlantic, Iowa	September, 2008

Executive Director:

Emerson Link (Resigned August, 2007)	Atlantic, Iowa
John Bigelow (Effective September, 2007)	Atlantic, Iowa

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Iowa Mental Health Center
Atlantic, Iowa

We have audited the accompanying balance sheets of Southwest Iowa Mental Health Center as of June 30, 2007 and 2006, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits.

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

As indicated in Note C, the Center's continued existence is dependent on cooperation of a related entity. Should the cooperation be discontinued, it would have a significant impact on the Center's financial position and cash flows.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Mental Health Center as of June 30, 2007 and 2006, and the results of its operations, changes in net assets, and cash flows for the years 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 October 5, 2007 on our consideration of Southwest Iowa 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 on 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 audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information (shown on pages 12 through 15) 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gronewold, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
October 5, 2007

SOUTHWEST IOWA MENTAL HEALTH CENTER
Balance Sheets
June 30,

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash	\$ 39,495	\$ 48,343
Client receivables, less allowances for doubtful accounts and contractual adjustments (\$120,000 in 2007 and \$120,000 in 2006)	67,169	56,324
Other receivables	38,353	57,938
Prepaid expense	685	203
Assets limited as to use	--	2,823
Total current assets	<u>145,702</u>	<u>165,631</u>
Property and Equipment, Net	<u>60,260</u>	<u>78,869</u>
Total assets	<u>\$ 205,962</u>	<u>\$ 244,500</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 5,084	\$ 7,587
Accrued employee compensation	44,689	45,040
Deferred revenue	--	2,823
Due to Cass County Memorial Hospital	46,900	79,761
Total current liabilities	<u>96,673</u>	<u>135,211</u>
Net Assets:		
Unrestricted	<u>109,289</u>	<u>109,289</u>
Total liabilities and net assets	<u>\$ 205,962</u>	<u>\$ 244,500</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Statements of Activities and Changes in Net Assets
 Year ended June 30,

	2007	2006
Changes in Unrestricted Net Assets:		
Support and Revenue:		
Support:		
Support from Cass County, Iowa	\$ 162,000	\$ 162,000
Support from Audubon County, Iowa	--	1,417
Hospital tax revenue	72,644	73,569
Hospital deficit funding	109,074	55,523
Grants	--	43,478
Total support	343,718	335,987
Revenue:		
Client fees, net	638,709	634,169
Contracted services from Hospital	280,709	248,611
Other revenue	2,046	4,361
Total revenue	921,464	887,141
Total Support and Revenue	1,265,182	1,223,128
Expenses:		
Staff salaries and benefits	401,763	411,663
Contracted staff and benefits	752,177	694,791
Other expenses	86,465	90,766
Provision for depreciation	24,812	27,331
Total expenses	1,265,217	1,224,551
Operating Loss	(35)	(1,423)
Other Support and Gains (Losses):		
Contributions	--	1,665
Interest income	557	203
Loss on disposal of assets	(522)	(445)
	35	1,423
Increase in Unrestricted Net Assets	--	--
Net Assets, Beginning of Year	109,289	109,289
Net Assets, End of Year	\$ 109,289	\$ 109,289

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Statements of Cash Flows
 Year ended June 30,

	2007	2006
Cash flows from operating activities:		
Cash received from clients, third party payors, contracting agencies, and public support	\$ 1,089,381	\$ 1,013,338
Cash paid to suppliers and employees	(1,164,884)	(1,091,394)
Investment income	557	203
Grants received	--	43,478
Contributions received	--	1,665
Cash received for hospital support	70,000	55,523
Net cash provided by (used in) operating activities	(4,946)	22,813
Cash flows from investing activities:		
Capital expenditures	(6,725)	(4,371)
Cash flows from financing activities:		
Hospital operating cash funding	--	14,477
Net increase (decrease) in cash	(11,671)	32,919
Cash beginning of year	51,166	18,247
Cash end of year	\$ 39,495	\$ 51,166
Reconciliation of cash to the balance sheets:		
Cash	\$ 39,495	\$ 48,343
Cash in assets limited as to use	--	2,823
Total cash	\$ 39,495	\$ 51,166

(continued next page)

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Statements of Cash Flows - Continued
 Year ended June 30,

	2007	2006
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ --	\$ --
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	24,812	27,331
Loss on disposal of assets	522	445
Change in assets and liabilities		
Accounts receivable	8,740	(33,237)
Prepaid expense	(482)	20
Accounts payable	(2,503)	(35,570)
Accrued employee compensation	(351)	6,507
Deferred revenue	(2,823)	(3,983)
Due to Cass County Memorial Hospital	(32,861)	61,300
Total adjustments	(4,946)	22,813
Net cash provided by (used in) operating activities	\$(4,946)	\$ 22,813

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

The Southwest Iowa Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is 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 Board of Directors serve three year terms and are selected by the existing Board.

The Organization received \$162,000 of revenue from Cass County in 2007 (\$162,000 in 2006). In addition, the Center received a significant portion of its revenue through an agreement with Cass County Memorial Hospital as indicated in Note C.

2. Basis of Accounting and Presentation

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

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

4. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected program payments.

5. Assets Limited As to Use

Assets limited as to use include assets set aside by the Board of Directors, including cash designated for future expenditures to meet grant requirements, over which the board retains control and (at its discretion) may subsequently use for other purposes. Amounts required for obligations classified as current liabilities are reported in current assets.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

6. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on buildings, equipment, land improvements and vehicles using the straight-line method. Lives range from twenty-five to forty years for land improvements and buildings, five to ten years for equipment and three years for vehicles.

7. Support and Revenue

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program limitations deducted to arrive at net fees from clients.
- b. Support from Cass County includes a predetermined amount based on the Center's annual budget.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

8. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 7. above. These reductions are recorded as adjustments to fees from clients.

9. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including amounts limited as to use.

NOTE B - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

	2007	2006
Land	\$ 1,689	\$ 1,689
Land Improvements	35,835	35,835
Buildings	142,782	141,094
Furniture and Equipment	105,888	105,488
	286,194	284,106
Less Accumulated Depreciation	(225,934)	(205,237)
	\$ 60,260	\$ 78,869

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE C - COMMITMENT, RELATED PARTY, AND ECONOMIC DEPENDENCY

The Center participates in a sharing agreement with Cass County Memorial Hospital, pursuant to Chapter 28E of the Iowa Code, to deliver mental health services in the area. Under the agreement, the Mental Health Center purchases all non-physician services necessary for the Center's operations from the Hospital. Tax funds collected by the Hospital for a portion of the cost of the Center's non-physician personnel result in credits of \$72,644 at June 30, 2007 (\$73,569 at June 30, 2006) being passed through to the Center. These credits are recorded as Hospital support on the Statements of Activities and Changes in Net Assets. These credits represent non-cash transactions for purposes of the Statements of Cash Flows. The Hospital purchases all mental health physician services necessary for its inpatient operation from the Center.

During the years ended June 30, 2007 and 2006, the Center received additional operating cash of \$70,000 from the Hospital to fund the operations of the Center. At June 30, 2007, the Center had a deficit of \$109,074 (\$55,523 deficit at June 30, 2006) without the Hospital's funding which was recorded as Hospital support on the Statement of Activities and Changes in Net Assets. Any unused operating cash or additional deficit funding is included in or reduced from the amount owed by the Center to the Hospital.

The Center has incurred losses in each year between 1995 and 2007. In each year the Hospital has funded the losses of the Center. The survival of the Center is dependent on its ability to generate profits in the future years, and the cooperation of Cass County Memorial Hospital. Should the Hospital decide to discontinue its support, the Center's survival would be in serious doubt.

Below is a summary of the activity and year end amounts due under the agreement with the Hospital:

	June 30,	
	2007	2006
Mental Health Center revenue from Hospital for physicians	<u>\$ 280,709</u>	<u>\$ 248,611</u>
Support from Hospital to Mental Health Center	<u>\$ 181,718</u>	<u>\$ 129,092</u>
Mental Health Center expense for personnel costs	<u>\$ 755,262</u>	<u>\$ 729,140</u>
Mental Health Center expense for insurance	<u>\$ 1,798</u>	<u>\$ 1,220</u>
Owed by Mental Health Center to Hospital	<u>\$ 46,900</u>	<u>\$ 79,761</u>

The financial arrangements for the 2007-2008 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately \$318,850 for physician services and deficit funding; and, the Center agreed to pay the Hospital approximately \$656,090 for non-physician services. Future financial arrangements will be determined annually based on a review of actual operations and needs.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE D - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

	2007	2006
Client Services	\$ 1,203,369	\$ 1,151,883
Management and General	61,848	72,668
	\$ 1,265,217	\$ 1,224,551

NOTE E - PENSION AND RETIREMENT BENEFITS

The Center had a defined contribution retirement plan which covered all employees who meet the eligibility requirements. To be eligible, an employee must have completed one year of service equal to 1,000 hours. The plan allowed for contributions by employees as well as contributions by the Center. The Center contributed 5% of wages. Retirement plan expenses totaled \$11,439 and \$16,846 for the years ended June 30, 2007 and 2006, respectively. This plan was terminated effective February 28, 2007.

Beginning March 1, 2007, the Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. Contributions will increase as of July 1, 2007. Plan members will be required to contribute 3.90% of their annual salary and the Center will be required to contribute 6.05% of annual covered payroll. The Center's contributions to IPERS for the year ended June 30, 2007 were approximately \$6,100, equal to the required contributions for the year.

NOTE F - CONTINGENCY

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Southwest Iowa Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2007 and 2006

NOTE G - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2007 and 2006, was as follows:

	2007	2006
Medicare	12%	18%
Medicaid	38	20
Other third-party payors	32	53
Patients	18	9
	100%	100%

NOTE H - NON-CASH TRANSACTIONS

The cash transactions of the Center are presented on the statements of cash flows. The Center also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of change in net assets to net cash provided by (used in) operating activities:

	2007	2006
Non-cash support from Hospital	\$ 72,644	\$ 73,569

* * *

ACCOMPANYING INFORMATION

SOUTHWEST IOWA MENTAL HEALTH CENTER
Service Revenue - Client Fees
Year ended June 30,

	2007			2006
	Gross	Adjustments	Net	Net
Self Pay	\$ 73,639	\$ 62,085	\$ 11,554	\$ 23,188
3rd Party Insurance	322,462	176,482	145,980	144,659
Medicare	175,674	95,487	80,187	85,786
Title XIX	350,714	220,869	129,845	120,806
Employee and Student Assistance Programs	20,500	--	20,500	25,241
Case Management	227,465	--	227,465	221,603
*Others	31,158	7,980	23,178	12,886
	<u>\$ 1,201,612</u>	<u>\$ 562,903</u>	<u>\$ 638,709</u>	<u>\$ 634,169</u>

* Includes consultation fees.

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Operating Expenses
 Year ended June 30,

	2007	2006
Program and Administrative Service Expenses:		
Professional staff salaries and fees	\$ 335,254	\$ 343,432
Retirement benefits	57,701	56,082
Other employee benefits	154,872	155,574
Contracted support staff	208,334	177,358
Contracted professional staff	397,779	374,008
Professional fees	12,706	11,968
Operating supplies	15,457	18,657
Telephone	4,871	5,439
Postage	3,220	2,374
Utilities	5,571	5,929
Repairs and maintenance	19,057	20,403
Insurance	1,798	1,062
Travel reimbursement	7,808	6,865
Conferences, conventions and meetings	3,447	5,230
Subscriptions	311	1,147
Organization dues	8,207	6,510
Public relations and miscellaneous	4,012	5,182
	1,240,405	1,197,220
Provision for Depreciation	24,812	27,331
Total Operating Expenses	\$ 1,265,217	\$ 1,224,551

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Schedule of Gross Charges and Adjustments for Client Services
 Year ended June 30, 2007

Client accounts receivable July 1, 2006		\$ 176,324
Gross charges for client services	\$ 1,201,612	
Adjustments and bad debts written off (net of increase in allowance for doubtful accounts and contractual adjustments of \$ - 0 -)	<u>(562,903)</u>	638,709
Less: Payments received for client services		<u>(627,864)</u>
Client accounts receivable June 30, 2007		<u>\$ 187,169</u>

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Clients Served - Distribution by County
 Year ended June 30,

<u>County</u>	<u>2007</u>			<u>2006</u>
	<u>Return Clients</u>	<u>New Clients</u>	<u>Total</u>	<u>Total</u>
Audubon	82	64	146	141
Cass	403	215	618	670
Shelby	34	43	77	66
Montgomery	57	20	77	70
Pottawattamie	87	32	119	120
Other	<u>219</u>	<u>87</u>	<u>306</u>	<u>300</u>
	<u>882</u>	<u>461</u>	<u>1,343</u>	<u>1,367</u>

<u>Year Ended June 30,</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Center operating expense per client served:	<u>\$ 942</u>	<u>\$ 896</u>	<u>\$ 848</u>	<u>\$ 856</u>
Net fees from clients per client served:	<u>\$ 476</u>	<u>\$ 464</u>	<u>\$ 344</u>	<u>\$ 434</u>

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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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
Southwest Iowa Mental Health Center
Atlantic, Iowa

We have audited the financial statements of Southwest Iowa Mental Health Center, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 5, 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 Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Mental Health Center'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 Southwest Iowa Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 the Center's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood a misstatement of the Center's financial statements, that is more than inconsequential, will not be prevented or detected by the Center's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

To the Board of Directors
Southwest Iowa Mental Health Center

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 the Center'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa 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.

Southwest Iowa Mental Health Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit the Center's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southwest Iowa Mental Health Center and other parties to whom the Center 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.

Gloria Bell, Kyhan & Co. P.C.

Atlantic, Iowa
October 5, 2007

SOUTHWEST IOWA MENTAL HEALTH CENTER
Schedule of Findings
Year ended June 30, 2007

PART I - REPORTABLE CONDITIONS

07-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Center.

Recommendation: We recognize that it may not be economically feasible for the Center to contract or employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to contract or employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

07-I-B Cash Deposits: We noted during the audit that the payments collected during the period of July 1, 2007 through July 24, 2007 had not been deposited in the bank. The receipts were being held until the Center completed a conversion of its accounting processes and the recording of the collections had been made.

Recommendation: We recommend that the Center maintain a listing of all receipts for the recording of the collections, and that all receipts be deposited in the bank daily.

Response: Upon discovery of the undeposited receipts, all receipts were immediately deposited in the bank. All receipts are now deposited daily.

Conclusion: Response accepted.

* * *