

Poweshiek County Mental Health Center

**Independent Auditor's Reports
Financial Statements and
Supplementary Information
June 30, 2007**

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Poweshiek County Mental Health Center
Board of Directors
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wendy Munyon	President	2007
Frank Brownell	Director	2008
Doug Cameron	Director	2010
Dorothy Sugden	Director	2008
Abbey Scheckter	Director	2009
John Reynolds	Director	2009
Katherine McClelland	Director	2009
Austin Jones	Director	2009
Andrew Broadmoore	Director	2010
Ellie Snook	Director	2010
Lyle Roudabush	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, 2007 and the related statements of activities, 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.

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 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, 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.

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 3, 2007 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 3, 2007

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2007

Exhibit A

Assets

Current Assets:		
Cash and cash equivalents (Note 1)		\$ 236,943
Accounts Receivable:		
Consumers	116,032	
Funding sources	<u>36,384</u>	
	152,416	
Less: Allowance for doubtful accounts	<u>(49,730)</u>	
Total Accounts Receivable		102,686
Prepaid Expense:		
Insurance	7,718	
Supplies	<u>2,596</u>	
Total Prepaid Expenses		<u>10,314</u>
Total Current Assets		349,943
Property and Equipment: (Note 2)		
Land and land improvements	9,344	
Leasehold improvements	25,638	
Building	476,514	
Office equipment and furniture	138,955	
Van	<u>7,949</u>	
	658,400	
Less: Accumulated depreciation - Equipment, furniture, and building (Note 2)	<u>(271,136)</u>	
Total Undepreciated Value of Property and Equipment		387,264
Other Asset:		
Reserve account (Note 3)		<u>18,951</u>
Total Assets		<u>\$ 756,158</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2007

Exhibit A

Liabilities and Net Assets

Current Liabilities:		
Accrued payroll tax	\$ 1,063	
Accounts payable	7,857	
Accrued vacation (Note 1)	59,643	
TSA payable	3,009	
Current portion long-term liabilities	<u>9,367</u>	
Total Current Liabilities		80,939
Long-Term Liabilities:		
Note payable - Capmark (Note 4)	103,473	
Note payable - USDA (Note 4)	276,091	
Less: Current portion shown above	<u>(9,367)</u>	
Total Long-Term Liabilities		<u>370,197</u>
Total Liabilities		451,136
Net Assets - temporarily restricted	18,951	
Net Assets - unrestricted	<u>286,071</u>	
Total Net Assets		<u>305,022</u>
Total Liabilities and Net Assets		<u>\$ 756,158</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Activities
Year Ended June 30, 2007

Exhibit B

	<u>Budget</u>	<u>Amount Current Fund</u>
Unrestricted:		
Public Support and Revenues:		
Public Support:		
Poweshiek County	\$ 72,875	\$ 86,868
City of Grinnell - Campbell Fund	9,000	9,000
Grinnell College	279,760	279,565
Grants	39,547	40,246
United Fund	12,500	13,450
Contract services	158,005	183,097
Region VI reimbursement	2,200	2,403
Supported community living	104,800	84,338
Out of county	7,500	11,411
State case	12,800	15,365
	<u>698,987</u>	<u>725,743</u>
Revenue:		
Patient fees - net	677,023	664,668
Interest income	500	4,811
Miscellaneous	4,000	13,461
	<u>681,523</u>	<u>682,940</u>
Total Public Support and Revenue	<u>1,380,510</u>	<u>1,408,683</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Activities
Year Ended June 30, 2007

Exhibit B

	<u>Budget</u>	<u>Amount Current Fund</u>
Expenses:		
Program Services:		
Mental Health Center Programs	\$ <u>1,362,041</u>	\$ <u>1,394,215</u>
Total Expenses	<u>1,362,041</u>	<u>1,394,215</u>
Change in Net Assets from Operations	\$ <u><u>18,469</u></u>	14,468
Net Assets Required to be Temporarily Restricted		(<u>1,620</u>)
Decrease in Unrestricted Net Assets		12,848
Temporarily Restricted Net Assets:		
Increase in Temporarily Restricted Assets		<u>1,620</u>
Decrease in Net Assets		14,468
Net Assets Beginning of Year		<u>290,554</u>
Net Assets End of Year		\$ <u><u>305,022</u></u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Functional Expenses
Year Ended June 30, 2007

Exhibit C

	<u>Program</u>	
	Budget	Mental Health Center Services
Salaries (Schedule 2)	\$ 906,720	\$ 927,435
Retirement	73,868	74,842
Payroll taxes	65,521	68,462
Employee insurance	108,777	101,694
Travel and conferences	28,093	24,930
Professional fees (Schedule 3)	—	25,117
Data system	6,000	10,412
Telephone	10,563	9,814
Insurance - professional and director's liability	21,260	23,970
Repairs and occupancy	23,500	20,601
Interest	26,353	18,570
Subscriptions and reference publications	450	313
Dues	3,000	215
Audit and legal	4,500	5,832
General	5,000	6,986
Uncollectible accounts	12,000	18,870
Postage	3,140	3,043
Advertising	1,000	1,085
Office supplies	15,000	11,313
Medical and educational supplies	3,000	1,828
Clubhouse expense - phone, food, supplies, mileage, rent, manager	15,886	17,670
Depreciation	<u>28,410</u>	<u>21,213</u>
 Total Expenses	 \$ <u>1,362,041</u>	 \$ <u>1,394,215</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Cash Flows
Year Ended June 30, 2007

Exhibit D

Cash Flows from Operations:	
Change in Net Assets	\$ 14,468
Adjustments to reconcile change in net assets to net cash used:	
Depreciation	21,213
Changes in Assets and Liabilities:	
Accounts receivable	44,220
Prepayments	8,690
Accounts payable and accruals	(23,679)
Accrued vacation	<u>8,879</u>
Net Cash Provided by Operations	<u>73,791</u>
Cash Flows Used for Investing:	
Equipment and building	(<u>6,763</u>)
Net Cash Used for Investing	(<u>6,763</u>)
Cash Flows Used for Financing Activities:	
Payment on debt	(<u>8,874</u>)
Net Cash Used for Financing Activities	(<u>8,874</u>)
Net Increase in Cash	58,154
Beginning Cash Balance	<u>197,740</u>
Ending Cash Balance	\$ <u><u>255,894</u></u>

The Center considers all short-term investments to be cash equivalents. The Center paid interest of \$18,570 for the year ended June 30, 2007.

See notes to financial statements.

Poweshiek County Mental Health Center
Notes to Financial Statements
June 30, 2007

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, 2007.

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	5,560	0	25,638
Building	476,514	0	0	476,514
Furniture and fixtures	137,752	1,203	0	138,955
Van	<u>7,949</u>	<u>0</u>	<u>0</u>	<u>7,949</u>
	<u>\$ 651,637</u>	<u>\$ 6,763</u>	<u>\$ 0</u>	<u>\$ 658,400</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:

2008	\$ 9,367
2009	\$ 9,840
2010	\$ 10,335
2011	\$ 10,852
2012	\$ 11,399

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, 2007, the Center's required and actual contributions amounted to \$74,842, which is 9% of its current year covered payroll of \$831,578. The Center's total current year payroll for all employees was \$927,435.

Note (6) Leases

The Center does lease the bottom floor of the Pearl Street Apartments which is used for the Clubhouse. The rent is \$759 per month. Rent paid for the year was \$5,947.

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, 2007, the Center's uninsured cash balances totaled \$27,506.

Note (10) Related Party Transactions

The Mental Health Clinic of Tama County and Poweshiek County Mental Health Center share a director and various staff members. The Clinic paid the Poweshiek County Mental Health Center \$162,263 for these services in the year ended June 30, 2007 and \$209,656 for the year ended June 30, 2006. No amounts are due at year end. These transactions are consummated on terms equivalent to arm's-length transactions.

Poweshiek County Mental Health Center
Statement of Receipts and Receivables from County
Year Ended June 30, 2007
(Unaudited)

Schedule 1

<u>County</u>	<u>Received</u>	<u>Accounts Receivable</u>	<u>Total</u>
Poweshiek	\$ <u>69,317</u>	\$ <u>17,551</u>	\$ <u>86,868</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Employees' Salaries
Year Ended June 30, 2007
(Unaudited)

Schedule 2

Employee:	<u>Salaries</u>
William Barker	\$ 80,229
Lisa Bard	31,917
Trudy Magurshak	35,264
Laura Van Cleve	155,198
Ann Standerwick	25,830
Harriet Dickey-Chasins	4,918
Barbara Moore	27,555
Mary Steele	38,679
Susan Hopwood	52,757
Kelly Tokle	31,269
Betty Stepp	28,528
Judy Nikkel	25,793
Dorothy Sugden	1,463
Julie Andrews	27,544
Julie Wendl	36,352
Brandon Davis	54,865
Teresa Fisher	6,375
Kate Jensen	29,857
Kris Morrison	39,198
Debra Tompkins	3,996
Michele Walker	43,369
Shanna Wathen	10,468
Casie Riney	64,020
Elizabeth Barnes	2,035
Kun-Hong Lu	31,070
Barbara Sloan	6,780
Alexis Steele	72
Cole Tokle	146
Jeff Wells	<u>31,888</u>
	\$ <u>927,435</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Professional Fees
Year Ended June 30, 2007
(Unaudited)

Schedule 3

<u>Professional</u>	<u>Services Performed</u>	<u>Rate</u>	<u>Total</u>
John Daniel	Ph.D.	\$ 43.06 per hour	\$ 517
Richard Hauser	M.D.	\$ 150 per hour	<u>24,600</u>
			\$ <u>25,117</u>

See accompanying independent auditor's report.

Poweshiek County Mental Health Center
Case Load
Year Ended June 30, 2007
(Unaudited)

Schedule 4

<u>County</u>	<u>Re-opened</u>	<u>Opened</u>	<u>Total</u>
Poweshiek	36	406	1,631
Total Office Operating Expenses			
Less: Clubhouse expense			\$ 1,355,332
Total Patients			1,631
Per Patient			\$ 831

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 of
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, 2007, and have issued our report thereon dated August 3, 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 Poweshiek County 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 Poweshiek Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Poweshiek Mental Health Center's internal control over financial reporting.

Our consideration of the 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.

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 Poweshiek Mental Health Center'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 Poweshiek County Mental Health Center's financial statements that is more than inconsequential will not be prevented or detected by Poweshiek County Mental Health Center'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 Poweshiek Mental Health 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2007 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 3, 2007

Poweshiek County Mental Health Center

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA

Roger D. Roland, CPA