



**SUBSTANCE ABUSE TREATMENT UNIT
OF CENTRAL IOWA
Marshalltown, Iowa**

FINANCIAL STATEMENTS
June 30, 2008 and 2007



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SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA

BOARD OF DIRECTORS AND MANAGEMENT

June 30, 2008

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Sharon Soorholtz Greer	Chairperson
Gordie Johnson	Board Member
Erv Miller	Board Member
Jim Ledvina	Board Member
Patrick Henry	Board Member
Polly Granzow	Board Member
Jennifer Krohn	Board Member
Michael Croker	Board Member

MANAGEMENT

<u>Name</u>	<u>Title</u>
Jack E. Stowe	Executive Director



Independent Auditor's Report

Board of Directors
Substance Abuse Treatment Unit
of Central Iowa
Marshalltown, Iowa

We have audited the accompanying statements of financial position of the Substance Abuse Treatment Unit of Central Iowa as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency'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 audits 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Substance Abuse Treatment Unit of Central Iowa as of June 30, 2008 and 2007, and the changes in its net assets and its 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 March 16, 2009, on our consideration of the Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting and on 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 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 14 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 the audit 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 16, 2009

FINANCIAL STATEMENTS

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash on hand and in bank	\$ 244,194	\$ 172,727
Certificates of deposit, short-term	225,987	325,362
Accounts receivable	97,782	108,077
Prepaid expenses	20,668	20,668
Deposits	<u>300</u>	<u>300</u>
Total current assets	<u>588,931</u>	<u>627,134</u>
 CERTIFICATES OF DEPOSIT, LONG-TERM	 <u>110,251</u>	 <u>-</u>
 PROPERTY AND EQUIPMENT		
Land and improvements	35,000	35,000
Building and improvements	527,616	527,616
Furniture and equipment	<u>209,163</u>	<u>206,740</u>
Total	771,779	769,356
Less accumulated depreciation	<u>440,792</u>	<u>401,848</u>
Net property and equipment	<u>330,987</u>	<u>367,508</u>
 TOTAL ASSETS	 <u>\$ 1,030,169</u>	 <u>\$ 994,642</u>

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable	\$ 16,995	\$ 14,207
Accrued payroll	30,100	28,265
Accrued compensated absences	<u>9,471</u>	<u>9,544</u>
Total current liabilities	56,566	52,016
 NET ASSETS		
Unrestricted	<u>973,603</u>	<u>942,626</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,030,169</u>	 <u>\$ 994,642</u>

The accompanying notes are an integral part of the financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
PUBLIC SUPPORT AND REVENUE		
Iowa Department of Public Health:		
Prevention programs	\$ 186,010	\$ 199,285
Medicaid	76,452	54,157
Non-medicaid	480,707	467,489
Client fees	160,608	132,955
Third party pay	79,202	63,356
Contract fees	232,179	228,055
Interest income	12,373	13,437
Donations	2,168	-
Other revenue	542	1,646
	<u>1,230,241</u>	<u>1,160,380</u>
Total public support and revenue		
	<u>1,230,241</u>	<u>1,160,380</u>
EXPENSES		
Program services	1,053,321	967,225
Supporting activities:		
Management and general	145,943	165,809
	<u>1,199,264</u>	<u>1,133,034</u>
Total expenses		
	<u>1,199,264</u>	<u>1,133,034</u>
CHANGE IN NET ASSETS	30,977	27,346
NET ASSETS, BEGINNING OF YEAR	<u>942,626</u>	<u>915,280</u>
NET ASSETS, END OF YEAR	<u>\$ 973,603</u>	<u>\$ 942,626</u>

The accompanying notes are an integral part of the financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2008 and 2007**

	<u>2008</u>		
	<u>Program Services</u>	<u>SUPPORTING ACTIVITIES Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 652,147	\$ 93,944	\$ 746,091
Payroll taxes	49,245	7,102	56,347
Health insurance	71,137	13,914	85,051
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	772,529	114,960	887,489
Supplies	70,383	4,943	75,326
Telephone	16,263	2,061	18,324
Postage	5,261	348	5,609
Rent	16,164	-	16,164
Space costs	30,424	4,070	34,494
Travel	15,579	2,572	18,151
Miscellaneous expense	3,564	-	3,564
Professional fees	75	6,950	7,025
Insurance	13,124	4,507	17,631
Employment advertising and promotion	6,369	80	6,449
Contracted services	63,960	-	63,960
Dues and subscriptions	357	-	357
Registrations and training	5,777	-	5,777
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,019,829	140,491	1,160,320
Depreciation	33,492	5,452	38,944
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 1,053,321</u>	<u>\$ 145,943</u>	<u>\$ 1,199,264</u>

2007

<u>Program Services</u>	<u>SUPPORTING ACTIVITIES Management and General</u>	<u>Total Expenses</u>
\$ 610,955	\$ 99,905	\$ 710,860
47,815	7,810	55,625
<u>47,633</u>	<u>11,281</u>	<u>58,914</u>
706,403	118,996	825,399
79,118	6,096	85,214
14,703	1,844	16,547
4,961	236	5,197
16,164	-	16,164
31,306	5,799	37,105
11,448	2,579	14,027
2,118	275	2,393
-	6,700	6,700
7,970	3,173	11,143
2,545	236	2,781
65,705	-	65,705
175	-	175
<u>4,734</u>	<u>-</u>	<u>4,734</u>
947,350	145,934	1,093,284
<u>19,875</u>	<u>19,875</u>	<u>39,750</u>
<u>\$ 967,225</u>	<u>\$ 165,809</u>	<u>\$ 1,133,034</u>

The accompanying notes are an integral part of the financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 30,977	\$ 27,346
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,944	39,750
Noncash interest income	(10,876)	(12,943)
Effects of changes in operating assets and liabilities:		
Accounts receivable	10,295	(14,270)
Prepaid expenses	-	(10,157)
Accounts payable	2,788	1,290
Accrued payroll	1,835	50
Accrued compensated absences	(73)	-
Deferred revenue	-	(17,516)
	<hr/>	<hr/>
Net cash provided by operating activities	73,890	13,550
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<hr/> (2,423)	<hr/> (5,418)
 NET INCREASE IN CASH	71,467	8,132
 CASH, BEGINNING OF YEAR	<hr/> 172,727	<hr/> 164,595
 CASH, END OF YEAR	<hr/> <u>\$ 244,194</u>	<hr/> <u>\$ 172,727</u>

The accompanying notes are an integral part of the financial statements.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Substance Abuse Treatment Unit of Central Iowa was created in 1976 as a perpetual, non-profit corporation under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the 1975 Code of Iowa. The purpose and objectives of the Agency are to increase the understanding of the nature, treatment and damage of chemical dependency and to treat and rehabilitate those dependent upon chemical substances. The Agency is primarily a fee-based provider of services. Clients pay if they are able, but a majority of the client fees are paid by third parties, such as Medicaid and insurance companies. The Agency serves the four-county area of Hardin, Marshall, Poweshiek and Tama from treatment facilities in Iowa Falls, Marshalltown, Grinnell and Toledo, respectively. The Agency's fiscal year ends on June 30. Significant accounting policies followed by the Agency are presented below.

Use of Estimates in Preparing Financial Statements

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue from client services is recognized, at estimated net collectable amounts, in the period the services are performed. A substantial portion of such revenue will not be collectable and the adjustment between standardized and collectable rates is treated as an adjustment to net fee revenue.

Revenue from grants and contracts is recognized as the services are performed if the contract is based on units of service or as costs are incurred if the contract is a cost reimbursement arrangement. Deferred revenue includes grant advances received for services the Agency will perform in subsequent periods.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Agency's building is depreciated on the straight-line method over its estimated useful life of thirty years. The Agency follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$1,000 and a useful life greater than one year. Land improvements are being depreciated on the straight-line method over an estimated useful life of fifteen years. Depreciation on the Agency's furniture and equipment is computed over the estimated useful lives of the assets ranging from three to ten years, by the straight-line method of depreciation.

Impairment of Long-Lived Assets

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Compensated Absences

Agency employees accumulate vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon retirement, death or termination. The Agency has accrued a liability for compensated absences from accrued vacation at June 30, 2008 and 2007, based on rates of pay on those dates.

Advertising

The Agency expenses advertising costs as incurred.

Income Taxes

The Agency 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 Agency is not classified as a private foundation.

Functional Expenses

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

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 2 - CASH FLOW DISCLOSURES

The Agency had the following noncash operating and investing activity:

Interest totaling \$10,876 and \$12,943 earned on certificates of deposit was added to the balance of the certificates upon renewal during the years ended June 30, 2008 and 2007, respectively.

NOTE 3 - RETIREMENT PLAN

The Agency maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers employees who meet certain eligibility requirements. The Agency is not required to contribute into the plan, but instead will pay employees a specified percentage of their wage for them to put into their 403(b) account or to use in any other way they choose.

NOTE 4 - RISK MANAGEMENT

The Agency 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 from these risks have not exceeded commercial coverage during the past three fiscal years.

NOTE 5 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Agency is subject to a certain degree of vulnerability due to concentrations of revenue from major funding agencies. Revenue from these funding agencies represented the following percentages of total revenue for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Iowa Department of Public Health	15%	17%
MBC of Iowa - Non-Medicaid	39%	40%
MBC of Iowa - Medicaid	6%	5%

The Agency also maintains cash in a local bank, which exceeds the maximum amount insured by the FDIC. Management believes the credit risk related to the uninsured balance is minimal.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF REVENUE AND EXPENSES -
I.D.P.H. CONTRACTS
Year Ended June 30, 2008**

	Comprehensive Prevention <u>5888-CP-18</u>	Drug & Violence Prevention <u>5888-DV-08</u>	Youth Development Prevention <u>5888-YM-66</u>
Revenue			
Iowa Department of Public Health	\$ 90,370	\$ 47,327	\$ 48,313
Client fees	150	-	-
Contract fees	<u>17,430</u>	<u>-</u>	<u>-</u>
Total revenue	<u>107,950</u>	<u>47,327</u>	<u>48,313</u>
Expenses			
Salaries	55,690	13,507	22,819
Personnel benefits	17,782	1,871	5,754
Supplies	1,898	3,232	7,113
Telephone	668	542	637
Postage	16	11	29
Occupancy costs	1,452	1,054	1,155
Travel	4,700	-	51
Employment advertising and promotion	153	153	153
Insurance	1,079	496	587
Contracted services	-	22,674	3,065
Registrations and training	563	-	898
Other expenses	<u>25</u>	<u>1,455</u>	<u>25</u>
Total expenses	<u>84,026</u>	<u>44,995</u>	<u>42,286</u>
Excess of revenue over expenses	23,924	2,332	6,027
Indirect expense allocation	<u>13,256</u>	<u>7,084</u>	<u>6,657</u>
Net	<u>\$ 10,668</u>	<u>\$ (4,752)</u>	<u>\$ (630)</u>

**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***

Board of Directors
Substance Abuse Treatment Unit
of Central Iowa
Marshalltown, Iowa

We have audited the financial statements of the Substance Abuse Treatment Unit of Central Iowa as of and for the year ended June 30, 2008, and have issued our report thereon dated March 16, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Substance Abuse Treatment Unit of Central Iowa'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 an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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. However, we believe that none of the significant deficiencies described in the accompanying Schedule of Findings and Responses are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Treatment Unit of Central Iowa'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*.

Substance Abuse Treatment Unit of Central Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we expressed our conclusions on the Agency's responses, we did not audit the Substance Abuse Treatment Unit of Central Iowa'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 Substance Abuse Treatment Unit of Central Iowa and other parties to whom the Agency 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 the Substance Abuse Treatment Unit of Central Iowa 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.

Clifton Henderson LLP

Cedar Rapids, Iowa
March 16, 2009

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not considered to be material weaknesses? _____ X Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

2008-1: Segregation of Duties

Criteria:

The Agency should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The Agency does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The Agency has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the Agency review its operating procedures to obtain the maximum internal control possible under the circumstances.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2008-1: Segregation of Duties (continued)

Response:

The Agency is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Conclusion:

Response accepted.

2008-2: Preparation of Financial Statements

Criteria:

The Board of Directors and management share the ultimate responsibility for the preparation of the Agency's financial statements, including disclosures.

Condition:

The Agency has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the Agency's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the Agency's internal control system. The Agency has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The Agency has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the Agency's activities and operations.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2008-2: Preparation of Financial Statements (continued)

Management's Response:

The Agency will consider our recommendation to improve this situation.

Conclusion:

Response accepted.