



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

**FINANCIAL STATEMENTS  
June 30, 2009 and 2008**



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SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA

BOARD OF DIRECTORS AND MANAGEMENT

June 30, 2009

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Title</u>
Sharon Soorholtz Greer	Chairperson
Erv Miller	Board Member
Jim Ledvina	Board Member
Patrick Henry	Board Member
Michael Croker	Board Member
Denny Grabenbauer	Board Member

**MANAGEMENT**

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<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, 2009 and 2008, 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 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, 2009 and 2008, 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 September 21, 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 16 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  
September 21, 2009

## FINANCIAL STATEMENTS

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2009 and 2008**

**ASSETS**

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash on hand and in bank	\$ 242,496	\$ 244,194
Certificates of deposit, short-term	402,838	225,987
Accounts receivable	87,797	97,782
Prepaid expenses	23,359	20,668
Deposits	<u>300</u>	<u>300</u>
Total current assets	<u>756,790</u>	<u>588,931</u>
 <b>CERTIFICATES OF DEPOSIT, LONG-TERM</b>		
	<u>-</u>	<u>110,251</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	35,000	35,000
Building and improvements	527,616	527,616
Furniture and equipment	<u>183,437</u>	<u>209,163</u>
Total	746,053	771,779
Less accumulated depreciation	<u>443,849</u>	<u>440,792</u>
Net property and equipment	<u>302,204</u>	<u>330,987</u>
 <b>TOTAL ASSETS</b>		
	<u>\$ 1,058,994</u>	<u>\$ 1,030,169</u>

**LIABILITIES AND NET ASSETS**

	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,375	\$ 16,995
Accrued payroll	30,966	30,100
Accrued compensated absences	<u>14,300</u>	<u>9,471</u>
Total current liabilities	50,641	56,566
 <b>NET ASSETS</b>		
Unrestricted	<u>1,008,353</u>	<u>973,603</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 1,058,994</u>	 <u>\$ 1,030,169</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Iowa Department of Public Health:		
Prevention programs	\$ 236,412	\$ 186,010
Medicaid	78,427	76,452
Non-medicaid	514,177	480,707
Client fees	162,173	160,608
Third party pay	64,168	79,202
Contract fees	217,074	232,179
Interest income	20,949	12,373
Donations	500	2,168
Other revenue	562	542
	<hr/>	<hr/>
Total public support and revenue	1,294,442	1,230,241
	<hr/>	<hr/>
<b>EXPENSES</b>		
Program services	1,095,959	1,053,321
Supporting activities:		
Management and general	163,733	145,943
	<hr/>	<hr/>
Total expenses	1,259,692	1,199,264
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	34,750	30,977
<b>NET ASSETS, BEGINNING OF YEAR</b>	<hr/> 973,603	<hr/> 942,626
<b>NET ASSETS, END OF YEAR</b>	<hr/> \$ 1,008,353	<hr/> \$ 973,603

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, 2009 and 2008**

	2009		
	<u>Program Services</u>	<u>SUPPORTING ACTIVITIES Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 681,803	\$ 97,179	\$ 778,982
Payroll taxes	52,029	7,416	59,445
Health insurance	82,977	16,136	99,113
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	816,809	120,731	937,540
Supplies	91,916	5,062	96,978
Telephone	20,948	2,379	23,327
Postage	5,620	279	5,899
Rent	15,692	-	15,692
Space costs	31,121	4,302	35,423
Travel	13,096	1,505	14,601
Miscellaneous expense	2,724	81	2,805
Professional fees	1,325	7,400	8,725
Insurance	7,638	4,154	11,792
Employment advertising and promotion	9,001	162	9,163
Contracted services	56,418	-	56,418
Dues and subscriptions	2,464	184	2,648
Registrations and training	3,722	30	3,752
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,078,494	146,269	1,224,763
Depreciation	17,465	17,464	34,929
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>\$ 1,095,959</b>	<b>\$ 163,733</b>	<b>\$ 1,259,692</b>

2008

<u>Program Services</u>	<u>SUPPORTING ACTIVITIES Management and General</u>	<u>Total Expenses</u>
\$ 652,147	\$ 93,944	\$ 746,091
49,245	7,102	56,347
<u>71,137</u>	<u>13,914</u>	<u>85,051</u>
772,529	114,960	887,489
70,383	4,943	75,326
16,263	2,061	18,324
5,261	348	5,609
16,164	-	16,164
30,424	4,070	34,494
15,579	2,572	18,151
3,564	-	3,564
75	6,950	7,025
13,124	4,507	17,631
6,369	80	6,449
63,960	-	63,960
357	-	357
<u>5,777</u>	<u>-</u>	<u>5,777</u>
1,019,829	140,491	1,160,320
<u>33,492</u>	<u>5,452</u>	<u>38,944</u>
<u>\$ 1,053,321</u>	<u>\$ 145,943</u>	<u>\$ 1,199,264</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 34,750	\$ 30,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,929	38,944
Noncash interest income	(7,587)	(10,876)
Effects of changes in operating assets and liabilities:		
Accounts receivable	9,985	10,295
Prepaid expenses	(2,691)	-
Accounts payable	(11,620)	2,788
Accrued payroll	866	1,835
Accrued compensated absences	4,829	(73)
	<u>63,461</u>	<u>73,890</u>
Net cash provided by operating activities		
	<u>63,461</u>	<u>73,890</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of certificates of deposit	225,987	-
Purchases of certificates of deposit	(285,000)	-
Purchases of equipment	(6,146)	(2,423)
	<u>(65,159)</u>	<u>(2,423)</u>
Net cash used in investing activities		
	<u>(65,159)</u>	<u>(2,423)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 (1,698)	 71,467
 <b>CASH, BEGINNING OF YEAR</b>	 <u>244,194</u>	 <u>172,727</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 242,496</u>	 <u>\$ 244,194</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, 2009 and 2008**

**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.

**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, 2009 and 2008**

**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, 2009 and 2008, 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, 2009 and 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles**

Effective July 1, 2008, the Agency adopted FASB Statement No. 157, "Fair Value Measurements" (FAS 157), which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on the Agency's financial statements.

**NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Agency uses various valuation approaches within the FAS 157 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FAS 157 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodology used for instruments measured at fair value and its classification in the valuation hierarchy.

**Certificates of deposit**

Certificates of deposit are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type. Certificates of deposit are generally classified within Level 2 of the valuation hierarchy.

The Agency's certificates of deposit are valued using Level 2 inputs.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**NOTE 3 - CASH FLOW DISCLOSURES**

The Agency had the following noncash operating and investing activity:

Interest totaling \$7,587 and \$10,876 earned on certificates of deposit was added to the balance of the certificates upon renewal during the years ended June 30, 2009 and 2008, respectively.

**NOTE 4 - 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 5 - LEASE COMMITMENT**

The Agency has a noncancellable lease agreement for office space which expires on June 30, 2012 and requires monthly payments of \$528. The agreement states rent will increase 10% annually on July 1.

Future minimum lease payments under the lease are as follows:

2010	\$ 6,336
2011	7,008
2012	<u>7,680</u>
<b>Total</b>	<b><u>\$ 21,024</u></b>

**NOTE 6 - 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.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 and 2008**

**NOTE 7 - 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Iowa Department of Public Health	18%	15%
MBC of Iowa - Non-Medicaid	40%	39%
MBC of Iowa - Medicaid	6%	6%

The Agency also maintains cash in a local bank, which exceeds the maximum amount insured by the FDIC. Total cash held by the bank was \$380,514 at June 30, 2009. Management believes the credit risk related to the uninsured balance is minimal.

**NOTE 8 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through September 21, 2009, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2009, but prior to September 21, 2009 that provided additional evidence about conditions that existed at June 30, 2009, have been recognized in the financial statements for the year ended June 30, 2009. Events or transactions that provided evidence about conditions that did not exist at June 30, 2009 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2009.

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, 2009**

	<b>Comprehensive Prevention <u>5888-CP-18</u></b>	<b>Drug &amp; Violence Prevention <u>5888-DV-08</u></b>	<b>Youth Development Prevention <u>5888-YM-66</u></b>	<b>Access To Recovery</b>
<b>Revenue</b>				
Iowa Department of Public Health	\$ 95,274	\$ 56,500	\$ 53,763	\$ 30,875
Client fees	<u>3,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>98,423</u>	<u>56,500</u>	<u>53,763</u>	<u>30,875</u>
<b>Expenses</b>				
Salaries	57,105	16,649	22,772	9,104
Personnel benefits	22,647	3,082	7,448	468
Supplies	2,809	2,493	11,859	15,732
Telephone	949	460	483	-
Postage	21	56	61	-
Occupancy costs	1,614	884	904	-
Travel	3,425	51	221	58
Employment advertising and promotion	225	-	225	-
Insurance	867	293	393	-
Contracted services	20	21,342	500	-
Registrations and training	684	-	96	-
Other expenses	<u>-</u>	<u>1,450</u>	<u>400</u>	<u>-</u>
Total expenses	<u>90,366</u>	<u>46,760</u>	<u>45,362</u>	<u>25,362</u>
<b>Excess of revenue over expenses</b>	8,057	9,740	8,401	5,513
<b>Indirect expense allocation</b>	<u>13,500</u>	<u>6,986</u>	<u>6,777</u>	<u>3,878</u>
<b>Net</b>	<u>\$ (5,443)</u>	<u>\$ 2,754</u>	<u>\$ 1,624</u>	<u>\$ 1,635</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, 2009, and have issued our report thereon dated September 21, 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 identified as 2009-1 and 2009-2 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 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 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. We did not audit the Substance Abuse Treatment Unit of Central Iowa's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and 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  
September 21, 2009

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**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? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2009-1: 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, 2009**

**SECTION II - FINANCIAL STATEMENT FINDINGS** (CONTINUED)

**2009-1: 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.

**2009-2: 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 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, 2009**

**SECTION II - FINANCIAL STATEMENT FINDINGS** (CONTINUED)

**2009-2: Preparation of Financial Statements** (continued)

Management's Response:

The Agency will consider our recommendation to improve this situation.

Conclusion:

Response accepted.