



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

**FINANCIAL STATEMENTS
June 30, 2011 and 2010**



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**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2011**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Sharon Soorholtz Greer	Chairperson
Jim Ledvina	Board Member
Patrick Henry	Board Member
Michael Croker	Board Member
Denny Grabenbauer	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 (the Agency) as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 December 8, 2011, 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 17 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
December 8, 2011

FINANCIAL STATEMENTS

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash on hand and in bank	\$ 438,143	\$ 358,459
Certificates of deposit, short-term	321,152	197,249
Accounts receivable	83,753	107,695
Prepaid expenses	15,278	24,662
Deposits	<u>1,050</u>	<u>300</u>
Total current assets	<u>859,376</u>	<u>688,365</u>
 CERTIFICATES OF DEPOSIT, long-term	 <u>99,000</u>	 <u>217,789</u>
 PROPERTY AND EQUIPMENT		
Land and improvements	35,000	35,000
Building and improvements	527,616	527,616
Furniture and equipment	<u>178,048</u>	<u>191,542</u>
Total	740,664	754,158
Less accumulated depreciation	<u>484,498</u>	<u>474,406</u>
Net property and equipment	<u>256,166</u>	<u>279,752</u>
 TOTAL ASSETS	 <u>\$ 1,214,542</u>	 <u>\$ 1,185,906</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 9,944	\$ 6,326
Accrued payroll	32,835	30,904
Accrued compensated absences	10,651	15,099
Due to funding agency	<u>-</u>	<u>2,994</u>
Total current liabilities	<u>53,430</u>	<u>55,323</u>
 NET ASSETS		
Unrestricted	1,158,190	1,125,460
Temporarily restricted - purpose restricted	<u>2,922</u>	<u>5,123</u>
Total net assets	<u>1,161,112</u>	<u>1,130,583</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,214,542</u>	 <u>\$ 1,185,906</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, 2011 and 2010**

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Iowa Department of Public Health:			
Prevention programs	\$ 194,589	\$ -	\$ 194,589
Medicaid	97,218	-	97,218
Non-medicaid	524,009	-	524,009
Client fees	114,230	-	114,230
Third party pay	130,551	-	130,551
Contract fees	209,909	-	209,909
Interest income	7,145	-	7,145
Donations	(9)	-	(9)
Other revenue	973	-	973
Net assets released from restrictions	<u>2,201</u>	<u>(2,201)</u>	<u>-</u>
Total public support and revenue	<u>1,280,816</u>	<u>(2,201)</u>	<u>1,278,615</u>
EXPENSES			
Program services	1,101,615	-	1,101,615
Supporting activities:			
Management and general	<u>146,471</u>	<u>-</u>	<u>146,471</u>
Total expenses	<u>1,248,086</u>	<u>-</u>	<u>1,248,086</u>
CHANGE IN NET ASSETS	32,730	(2,201)	30,529
NET ASSETS, BEGINNING OF YEAR	<u>1,125,460</u>	<u>5,123</u>	<u>1,130,583</u>
NET ASSETS, END OF YEAR	<u>\$ 1,158,190</u>	<u>\$ 2,922</u>	<u>\$ 1,161,112</u>

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 257,563	\$ -	\$ 257,563
82,764	-	82,764
583,293	-	583,293
128,012	-	128,012
110,135	-	110,135
199,986	-	199,986
12,950	-	12,950
130	1,028	1,158
3,623	-	3,623
58	(58)	-
<u>1,378,514</u>	<u>970</u>	<u>1,379,484</u>
1,112,820	-	1,112,820
<u>144,434</u>	<u>-</u>	<u>144,434</u>
<u>1,257,254</u>	<u>-</u>	<u>1,257,254</u>
121,260	970	122,230
<u>1,004,200</u>	<u>4,153</u>	<u>1,008,353</u>
<u>\$ 1,125,460</u>	<u>\$ 5,123</u>	<u>\$ 1,130,583</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, 2011 and 2010

	<u>2011</u>		
	<u>Program Services</u>	<u>Supporting Activities, Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 666,221	\$ 93,454	\$ 759,675
Payroll taxes	53,042	7,350	60,392
Health insurance	126,560	17,165	143,725
Total salaries and related expenses	845,823	117,969	963,792
Supplies	52,534	4,670	57,204
Telephone	22,176	1,818	23,994
Postage	5,454	-	5,454
Rent	19,983	-	19,983
Space costs	33,415	4,271	37,686
Travel	12,197	1,356	13,553
Miscellaneous expense	1,607	-	1,607
Professional fees	4,750	4,750	9,500
Insurance	17,285	4,626	21,911
Employment advertising and promotion	10,020	90	10,110
Contracted services	48,329	-	48,329
Dues and subscriptions	184	2,951	3,135
Registrations and training	3,503	5	3,508
Total expenses before depreciation	1,077,260	142,506	1,219,766
Depreciation	24,355	3,965	28,320
TOTAL EXPENSES	<u>\$ 1,101,615</u>	<u>\$ 146,471</u>	<u>\$ 1,248,086</u>

2010

<u>Program Services</u>	<u>Supporting Activities, Management and General</u>	<u>Total Expenses</u>
\$ 674,734	\$ 90,665	\$ 765,399
51,770	6,956	58,726
<u>110,676</u>	<u>15,524</u>	<u>126,200</u>
837,180	113,145	950,325
73,903	4,836	78,739
28,523	3,299	31,822
5,578	-	5,578
15,961	-	15,961
33,560	4,550	38,110
10,790	768	11,558
1,485	-	1,485
881	8,269	9,150
11,926	2,583	14,509
13,958	100	14,058
48,727	-	48,727
100	2,589	2,689
<u>3,969</u>	<u>17</u>	<u>3,986</u>
1,086,541	140,156	1,226,697
<u>26,279</u>	<u>4,278</u>	<u>30,557</u>
<u>\$ 1,112,820</u>	<u>\$ 144,434</u>	<u>\$ 1,257,254</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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 30,529	\$ 122,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,320	30,557
Noncash interest income	(5,114)	(8,171)
Effects of changes in operating assets and liabilities:		
Accounts receivable	23,942	(19,898)
Prepaid expenses	9,384	(1,303)
Deposits	(750)	-
Accounts payable	3,618	951
Accrued payroll	1,931	(62)
Accrued compensated absences	(4,448)	799
Due to funding agency	(2,994)	2,994
	<u>84,418</u>	<u>128,097</u>
Net cash provided by operating activities		
	<u>84,418</u>	<u>128,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of certificates of deposit	-	193,086
Purchases of certificates of deposit	-	(197,115)
Purchases of equipment	(4,734)	(8,105)
	<u>(4,734)</u>	<u>(8,105)</u>
Net cash used in investing activities		
	<u>(4,734)</u>	<u>(12,134)</u>
NET INCREASE IN CASH	79,684	115,963
CASH, BEGINNING OF YEAR	<u>358,459</u>	<u>242,496</u>
CASH, END OF YEAR	<u>\$ 438,143</u>	<u>\$ 358,459</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, 2011 and 2010

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.

The carrying amount of accounts receivable is reduced to reflect management's best estimate of amounts that will ultimately be collected. Revenue is reduced for accounts or portions thereof deemed to be uncollectible.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

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, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

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, 2011 and 2010, based on rates of pay on those dates.

Advertising

The Agency expenses advertising costs as incurred.

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, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Agency files information returns in the U.S. federal jurisdiction. The Agency has determined that it was not required to record a liability related to uncertain tax positions. The federal information returns of the Agency for the year ended June 30, 2008, and thereafter, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Brokered Certificate of Deposit

Brokered 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. The Agency's brokered certificate of deposit is valued using Level 2 inputs as of June 30, 2011 and 2010. The fair value of the brokered certificate of deposit as of June 30, 2011 and 2010 is \$99,000 and \$98,870, respectively.

NOTE 3 - CASH FLOW DISCLOSURES

The Agency had the following noncash operating and investing activity:

Interest totaling \$5,114 and \$8,171 earned on certificates of deposit was added to the balance of the certificates upon renewal during the years ended June 30, 2011 and 2010, 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 two noncancellable lease agreements for office space which expire on June 30 and September 30, 2012, respectively, and requires monthly payments of \$640 and \$750, respectively. Future minimum lease payments under these leases totals \$16,680 for the year ending June 30, 2012, and \$2,250 for the year ending June 30, 2013.

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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.

NOTE 7 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash

The Agency maintains cash in a bank that exceeds the maximum amount insured by the Federal Deposit Insurance Corporation. Total cash held by the bank was \$560,163 at June 30, 2011. Management believes the credit risk related to the uninsured balance is minimal.

Support and Revenue

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 support and revenue for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Iowa Department of Public Health	13%	17%
MBC of Iowa - Non-Medicaid	41%	42%
MBC of Iowa - Medicaid	8%	6%

Accounts receivable includes \$33,242 and \$58,968 due from the Iowa Department of Public Health as of June 30, 2011 and 2010, respectively.

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through December 8, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to December 8, 2011, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, 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, 2011.

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, 2011**

	Comprehensive Prevention <u>588-1-CP18</u>	Safe & Drug-free Schools <u>588-1-DV08</u>	Youth Development Prevention <u>588-1-YM66</u>	Smoking Cessation	Access To Recovery
Revenue					
Iowa Department of Public Health	\$ 75,912	\$ 33,069	\$ 42,018	\$ 28,419	\$ 15,171
Client fees	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>78,387</u>	<u>33,069</u>	<u>42,018</u>	<u>28,419</u>	<u>15,171</u>
Expenses					
Salaries	48,318	16,188	28,153	13,559	5,694
Personnel benefits	13,794	2,672	6,993	7,022	848
Supplies	1,423	664	1,063	736	8,711
Telephone	981	140	101	250	49
Occupancy costs	1,897	40	40	183	-
Travel	1,574	23	23	160	-
Employment advertising and promotion	111	-	40	-	-
Insurance	644	149	323	165	101
Contracted services	-	10,751	-	2,293	-
Registrations and training	<u>188</u>	<u>-</u>	<u>40</u>	<u>35</u>	<u>-</u>
Total expenses	<u>68,930</u>	<u>30,627</u>	<u>36,776</u>	<u>24,403</u>	<u>15,403</u>
Excess (deficiency) of revenue over (under) expenses	9,457	2,442	5,242	4,016	(232)
Indirect expense allocation	<u>8,901</u>	<u>3,955</u>	<u>4,749</u>	<u>3,151</u>	<u>1,989</u>
Net	<u>\$ 556</u>	<u>\$ (1,513)</u>	<u>\$ 493</u>	<u>\$ 865</u>	<u>\$ (2,221)</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, 2011, and have issued our report thereon dated December 8, 2011. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Comments involving statutory and other legal matters about the Substance Abuse Treatment Unit of Central Iowa's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Substance Abuse Treatment Unit of Central Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The 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, a public record by law, 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.

Clifton Henderson LLP

Cedar Rapids, Iowa
December 8, 2011

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

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

INTERNAL CONTROL DEFICIENCIES:

2011-1: 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, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-1: 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.

2011-2: Preparation of Financial Statements and Audit Adjustments

Criteria:

The Board of Directors and management share the ultimate responsibility for the accuracy and reliability of the Agency's trial balance and for the preparation of their 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. Also, adjusting journal entries were made by the auditors as a part of the audit process.

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.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-2: Preparation of Financial Statements and Audit Adjustments (continued)

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.

Response:

The Agency will consider our recommendation to improve this situation.

Conclusion:

Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SECTION III - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

No matters were noted.