SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
Marshalltown, Iowa

FINANCIAL STATEMENTS
June 30, 2012 and 2011

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SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2012

BOARD OF DIRECTORS

Name	Title
Sharon Soorholtz Greer	Chairperson
Jim Ledvina	Board Member
Patrick Henry	Board Member
Michael Croker	Board Member
Denny Grabenbauer	Board Member

MANAGEMENT

Name	Title
Jack E. Stowe	Executive Director

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Independent Auditors' 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, 2012 and 2011, 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, 2012 and 2011, 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 October 24, 2012, 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 audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
October 24, 2012

FINANCIAL STATEMENTS

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash on hand and in bank	$ 517,767	$ 438,143
Certificates of deposit, short-term	319,047	321,152
Accounts receivable	75,678	83,753
Prepaid expenses	30,741	15,278
Deposits	1,050	1,050
Total current assets	944,283	859,376
CERTIFICATES OF DEPOSIT, long-term	103,571	99,000
PROPERTY AND EQUIPMENT		
Land and improvements	35,000	35,000
Building and improvements	527,616	527,616
Furniture and equipment	185,857	178,048
Total	748,473	740,664
Less accumulated depreciation	(511,241)	(484,498)
Net property and equipment	237,232	256,166
TOTAL ASSETS	$ 1,285,086	$ 1,214,542

LIABILITIES AND NET ASSETS

		2012		2011
CURRENT LIABILITIES				
Accounts payable	$	14,114	$	9,944
Accrued payroll		30,741		32,835
Accrued compensated absences		10,281		10,651
Total current liabilities		55,136		53,430
NET ASSETS				
Unrestricted		1,227,028		1,158,190
Temporarily restricted - purpose restricted		2,922		2,922
Total net assets		1,229,950		1,161,112
TOTAL LIABILITIES AND NET ASSETS	$	1,285,086	$	1,214,542

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, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Iowa Department of Public Health:			
Prevention programs	$ 181,521	$ -	$ 181,521
Medicaid	98,155	-	98,155
Non-medicaid	528,110	-	528,110
Client fees	127,508	-	127,508
Third party pay	165,814	-	165,814
Contract fees	225,933	-	225,933
Interest income	3,847	-	3,847
Donations	9,245	-	9,245
Other revenue	927	-	927
Net assets released from restrictions	-	-	-
Total public support and revenue	1,341,060	-	1,341,060
EXPENSES			
Program services	1,108,686	-	1,108,686
Supporting activities:			
Management and general	163,536	-	163,536
Total expenses	1,272,222	-	1,272,222
CHANGE IN NET ASSETS	68,838	-	68,838
NET ASSETS, BEGINNING OF YEAR	1,158,190	2,922	1,161,112
NET ASSETS, END OF YEAR	$ 1,227,028	$ 2,922	$ 1,229,950

2011		
Unrestricted	Temporarily Restricted	Total
$ 194,589	$ -	$ 194,589
97,218	-	97,218
524,009	-	524,009
114,230	-	114,230
130,551	-	130,551
209,909	-	209,909
7,145	-	7,145
(9)	-	(9)
973	-	973
2,201	(2,201)	-
1,280,816	(2,201)	1,278,615
1,101,615	-	1,101,615
146,471	-	146,471
1,248,086	-	1,248,086
32,730	(2,201)	30,529
1,125,460	5,123	1,130,583
$ 1,158,190	$ 2,922	$ 1,161,112

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, 2012 and 2011

	2012		
	Program Services	Supporting Activities, Management and General	Total Expenses
Salaries and wages	$ 658,413	$ 94,534	$ 752,947
Payroll taxes	56,394	8,072	64,466
Health insurance	118,254	18,317	136,571
Total salaries and related expenses	833,061	120,923	953,984
Supplies	68,201	4,666	72,867
Communications	35,104	2,308	37,412
Rent	21,480	-	21,480
Space costs	23,438	4,677	28,115
Travel	10,898	1,558	12,456
Miscellaneous expense	1,536	-	1,536
Professional fees	-	9,925	9,925
Insurance	5,307	2,988	8,295
Employment advertising and promotion	12,054	30	12,084
Contracted services	80,781	160	80,941
Dues and subscriptions	175	3,150	3,325
Registrations and training	3,029	30	3,059
Total expenses before depreciation	1,095,064	150,415	1,245,479
Depreciation	13,622	13,121	26,743
TOTAL EXPENSES	$ 1,108,686	$ 163,536	$ 1,272,222

2011		
Program Services	**Supporting Activities, Management and General**	**Total Expenses**
$ 666,221	$ 93,454	$ 759,675
53,042	7,350	60,392
126,560	17,165	143,725
845,823	117,969	963,792
52,534	4,670	57,204
27,630	1,818	29,448
19,983	-	19,983
33,415	4,271	37,686
12,197	1,356	13,553
1,607	-	1,607
4,750	4,750	9,500
17,285	4,626	21,911
10,020	90	10,110
48,329	-	48,329
184	2,951	3,135
3,503	5	3,508
1,077,260	142,506	1,219,766
24,355	3,965	28,320
$ 1,101,615	$ 146,471	$ 1,248,086

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 68,838	$ 30,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,743	28,320
Noncash interest income	(2,466)	(5,114)
Effects of changes in operating assets and liabilities:		
Accounts receivable	8,075	23,942
Prepaid expenses	(15,463)	9,384
Deposits	-	(750)
Accounts payable	4,170	3,618
Accrued payroll	(2,094)	1,931
Accrued compensated absences	(370)	(4,448)
Due to funding agency	-	(2,994)
Net cash provided by operating activities	87,433	84,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(7,809)	(4,734)
NET INCREASE IN CASH	79,624	79,684
CASH, BEGINNING OF YEAR	438,143	358,459
CASH, END OF YEAR	$ 517,767	$ 438,143
SUPPLEMENTAL INFORMATION		
Non-cash interest earnings reinvested	$ 2,466	$ 5,114

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

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Substance Abuse Treatment Unit of Central Iowa (the Agency) 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.

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, 2012 and 2011, 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.

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 Internal Revenue Service has not determined that the Agency is 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, 2009, 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.

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, 2012 and 2011.

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 long term brokered certificate of deposit is valued using Level 1 inputs as of June 30, 2012 and 2011. The fair value of the brokered certificate of deposit as of June 30, 2012 and 2011 is $99,582 and $99,000, 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 - LEASE COMMITMENT

The Agency has a noncancellable lease agreement for office space which expires on September 30, 2012, and requires a monthly payment of $750. Future minimum lease payments under this lease totals $2,250 for the year ending June 30, 2013. The Agency is planning to rent the office space on a month-to-month basis.

NOTE 5 - 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 6 - 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 $647,969 at June 30, 2012. 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:

	2012	2011
Iowa Department of Public Health	14%	13%
MBC of Iowa - Non-Medicaid	40%	41%
MBC of Iowa - Medicaid	7%	8%

Accounts receivable includes $29,867 and $33,242 due from the Iowa Department of Public Health as of June 30, 2012 and 2011, respectively.

NOTE 7 - RECLASSIFICATION OF AMOUNTS

Certain reclassifications have been made to the 2011 financial statement presentation to correspond to the current year's format. Total assets, net assets and change in net assets were unchanged due to these reclassifications.

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 24, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to October 24, 2012, that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, 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, 2012.

SUPPLEMENTARY INFORMATION

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF REVENUE AND EXPENSES -
I.D.P.H. CONTRACTS
Year Ended June 30, 2012

	Comprehensive Prevention 588-2-CP18	Youth Development Prevention 588-2-YM66	Smoking Cessation	Access To Recovery
Revenue				
Iowa Department of Public Health	$ 88,928	$ 49,267	$ 25,959	$ 17,367
Client fees	3,045	-	-	-
Total revenue	91,973	49,267	25,959	17,367
Expenses				
Salaries	51,949	22,181	12,305	6,513
Personnel benefits	12,610	7,572	6,361	982
Supplies	5,760	1,424	437	7,465
Telephone	1,239	371	362	-
Occupancy costs	1,139	85	131	-
Travel	1,519	439	168	-
Employment advertising and promotion	-	972	-	-
Insurance	412	-	-	-
Depreciation	334	167	-	-
Contracted services	-	8,000	3,176	-
Registrations and training	-	814	158	-
Total expenses	74,962	42,025	23,098	14,960
Excess (deficiency) of revenue over (under) expenses	17,011	7,242	2,861	2,407
Indirect expense allocation	11,062	6,204	3,412	2,207
Net	$ 5,949	$ 1,038	$ (551)	$ 200

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Independent Auditors' 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 (the Agency) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012. 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

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express and opinion on the effectiveness of the Agency'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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, detected and corrected on a timely basis.

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. We consider the following deficiencies described in the accompanying schedule of findings and responses as items 2012-1 and 2012-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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 Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency'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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
October 24, 2012

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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:

2012-1: 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.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-1: 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.

2012-2: 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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-2: 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.

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October 24, 2012

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

This letter is to provide you with information about significant matters related to our audit of the financial statements of Substance Abuse Treatment Unit of Central Iowa (The Agency) for the year ended June 30, 2012. It is intended solely for the Board of Directors and should not be used by anyone other than this specified party.

We have provided a separate letter, dated October 24, 2012, concerning the internal control conditions that we noted during our audit.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

Auditors' Responsibilities Under Generally Accepted Auditing Standards and Government Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Agency. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Other Information in Documents Containing Audited Financial Statements. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Significant Issues Discussed With Management Prior to Retention. We discussed various matters with management prior to retention as the Agency's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations With Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements are the lives of which property and equipment are being depreciated, functional allocation of expenses, net collectible amounts of revenue from client services, and the allowance for doubtful accounts. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit. There were no significant difficulties in dealing with management related to the performance of our audit.

Corrected Misstatements. The attached Exhibit summarizes the corrected misstatements that were brought to the attention of management as a result of audit procedures. Management has corrected all such misstatements.

Representations from Management. We have requested the representations from management that are shown in the attached Exhibit.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Agency's financial statements or our report on those financial statements.

Please contact David Little if you have any questions regarding the matters included in this letter.

CliftonLarsonAllen LLP

Client: ***Substance Abuse Treatment Unit***

EXHIBIT

Engagement:
Period Ending: ***6/30/2012***
Workpaper:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust certificate of deposit balances to actual			
101.5	Certificate(s) of Deposit - current	2,466.17	
418	Interest Income		2,466.17
Total		**2,466.17**	**2,466.17**
Adjusting Journal Entries JE # 2			
To record current year accounts receivable			
110	Accounts Receivable	75,677.59	
400	IDPH Comprehensive Prevention		11,615.41
401.1	IDPH Access to Recovery		2,417.00
401.5	IA - Plan (Medicaid)		7,550.42
402	Drug Free Schools		
402CLA	M'town School Services		3,973.00
406	Drug Free Communities		
406CLA	SAMHSA-Drug Free Comm.		10,808.18
407	Third Party Pay		12,754.93
408	Client Fees		8,080.31
411	Dept/Corrections TASC		
411CLA	2nd Judicial-Re-Entry		2,500.00
413	IDPH - Safe & Drug Free		
414	IDPH Youth Development		10,340.47
417	Dept/Corrections Dr Crt		
417CLA	Juvenile Drug Court		143.50
423	Mar. Co.Youth & Violence		
423CLA	IDPH Tobacco Prevention		5,494.37
Total		**75,677.59**	**75,677.59**
Adjusting Journal Entries JE # 3			
To capitalize equipment purchases			
150	Equipment	7,809.37	
530	Supplies		
570	Equipment		7,809.37
Total		**7,809.37**	**7,809.37**
Adjusting Journal Entries JE # 4			
To record current year depreciation			
599	Depreciation	26,742.71	
145	Accumulated Depr - Building		20,699.68
155	Accumulated Depr - Equipment		6,043.03
Total		**26,742.71**	**26,742.71**
Adjusting Journal Entries JE # 5			
To record accounts payable as of fiscal year-end			
514	Job Service	2,488.95	
530	Supplies	2,718.23	
541	Telephone	3,548.26	
552	Space Costs	726.44	
560	Travel	296.40	
592	Advertising	484.25	
601	Sub-Contract	3,851.22	
201	Accounts Payable		14,113.75
Total		**14,113.75**	**14,113.75**
Adjusting Journal Entries JE # 6			
To record accrued payroll as of fiscal year-end			
500	Salaries	30,741.12	
230	Accrued Wages Payable		30,741.12
Total		**30,741.12**	**30,741.12**

Client: ***Substance Abuse Treatment Unit***

Engagement:

Period Ending: ***6/30/2012***

Workpaper:

EXHIBIT

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
To adjust year-end accrued compensated absences			
225	Compensated Absences	370.17	
500	Salaries		370.17
Total		**370.17**	**370.17**
Adjusting Journal Entries JE # 8			
To record current year prepaid expenses			
120	Prepaid Expenses	30,740.77	
515	Health Insurance		15,248.07
551	Rents		1,809.20
598	Operations Ins		13,683.50
Total		**30,740.77**	**30,740.77**
Adjusting Journal Entries JE # 9			
To reverse prior year prepaid expenses			
515	Health Insurance	13,487.60	
551	Rents	1,790.00	
120	Prepaid Expenses		15,277.60
Total		**15,277.60**	**15,277.60**
Adjusting Journal Entries JE # 10			
To adjust revenue (Iowa Plan -Medicaid revenue and prevention groups) and expense (supplies)			
402CLA	M'town School Services	370.00	
404	Prev. Group Income		250.00
530	Supplies		120.00
Total		**370.00**	**370.00**
Adjusting Journal Entries JE # 11			
To record in-kind from Sue Roe			
601	Sub-Contract	9,245.00	
410	Donations		9,245.00
Total		**9,245.00**	**9,245.00**
Adjusting Journal Entries JE # 12			
To adjust net health insurance and supplies expense			
530	Supplies	1,009.70	
515	Health Insurance		1,009.70
Total		**1,009.70**	**1,009.70**

	Assets	**Liabilities**	**Net Assets**	**Income**	**Expenses**
Net effect of Adjusting Journal Entries	74,673.59	(44,484.70)	(30,188.89)	(87,268.76)	57,079.87

October 24, 2012 **EXHIBIT**

CliftonLarsonAllen LLP
1715 First Avenue SE
Cedar Rapids, Iowa 52402

We are providing this letter in connection with your audits of the statements of financial position of the Substance Abuse Treatment Unit of Central Iowa (the Agency) as of June 30, 2012 and 2011, and of its statements of activities, cash flows and functional expenses for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position, results of operations, and cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, cash flows, and supplementary information in conformity with accounting principles generally accepted in the United States of America. Although CliftonLarsonAllen LLP may have made suggestions as to the form and content of the financial statements or even prepared them in whole or in part, we acknowledge our responsibility for the review and approval of the financial statement amounts and disclosures, and understand the financial statements remain the representations of our management.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 24, 2012, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. The financial statements include all properly classified net assets under the Agency's control.

2. With respect to the supplementary information accompanying the financial statements:

   a. We acknowledge our responsibility for presenting the supplementary information accompanying the financial statements using consistent methods of measurement and presentation with those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

   b. We believe the supplementary information, including its form and content, is fairly presented.

3. We have made available to you all:

   a. Financial records and related data including those of all special funds, programs, departments, projects, activities, etc.

   b. Minutes of the meetings of directors or committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

   c. Audit or monitoring reports, if any, received from funding sources.

4. There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

6. We have reviewed and approved all adjustments and corrections made to the financial statements and acknowledge that the adjustments are complete and accurate.

7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

8. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   a. Management

   b. Employees who have significant roles in internal control.

   c. Others where the fraud could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.

10. We have maintained an adequate system of internal control over the receipt and recording of contributions during the year.

11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or net assets in the financial statements.

12. The following have been properly recorded or disclosed in the financial statements, if applicable:

    a. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.

b. Guarantees, whether written or oral, under which the Agency is contingently liable.

c. Estimates that might be subject to material change within one year from the date of the financial statements. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.

e. Agreements to repurchase assets previously sold.

f. Concentrations existing at the date of the financial statements that make the Agency vulnerable to risk of severe impact within one year from the date of the financial statements. We understand that concentrations include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operation areas or markets.

13. There are no:

a. Violations or possible violations of laws or regulations (including those pertaining to federal, state, or local environmental laws and regulations) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.

c. Transfers, reclassifications, or designations of net assets or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.

14. We are not aware of any pending or threatened litigation, claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB ASC 450, and we have not consulted a lawyer concerning litigation, claims, or assessments.

15. We are an exempt organization under Section 501(c)3 of the Internal Revenue Code. Any activities that would jeopardize the Agency's tax-exempt status of which we are aware, and all activities subject to tax on unrelated business income or excise or other tax have been disclosed to you. All required filings with tax authorities are up to date.

16. We are responsible for determining if we have received, expended or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources $500,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.

17. We are responsible for the Agency's compliance with grant provisions, laws and regulations applicable to it; and we have identified, and disclosed to you, all grant provisions, laws and regulations that have a direct and material effect on the determination of financial statement amounts. We have complied with all aspects of grant provisions, laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

18. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.

19. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been appropriately reduced to their estimated net realizable value.

20. We are responsible for our depreciation schedules used for long-lived assets and have determined the methods and rates of depreciation and salvage values used in the calculations.

21. We have reviewed long-lived assets to be held and used for impairment if events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and, if necessary, have appropriately recorded the adjustment.

22. We have complied with all restrictions on resources and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. We believe reasonable bases were used in allocating expenses in the statements of functional expenses.

24. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

25. The methodologies used in determining fair value disclosures are based on reasonable assumptions.

Jack E. Stowe
Executive Director

Paul Dreasler
Data/Resource Coordinator