

**This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.**

**SAMPLE SUBSTANCE ABUSE COUNCIL**

**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

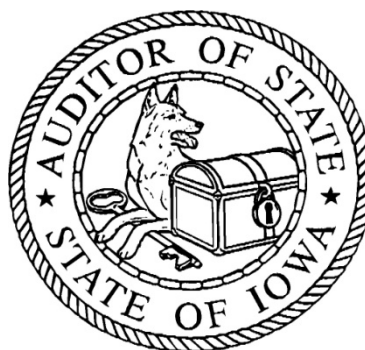
**JUNE 30, 2021**

==== Office of ====

**AUDITOR**  
**OF STATE**

State Capitol Building • Des Moines, Iowa

=====



**Rob Sand**  
**Auditor of State**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 125.55 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of licensed substance abuse programs should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles as set forth in the AICPA Industry Audit and Accounting Guide, Not-For-Profit Organizations.

The format shows the financial statements, supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Council feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Depreciation expense has been recognized in these financial statements as recommended by the Industry Audit and Accounting Guide and as required by Financial Accounting Standards Board Statement Number 93.

Councils with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning Single Audit requirements should be directed to the entity's cognizant or oversight agency.

In accordance with the Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

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In accordance with Chapter 125.55 of the Code of Iowa, a copy of the report should also be filed with the Director of the Iowa Department of Public Health, Division of Behavioral Health, Lucas Building, 321 East 12<sup>th</sup> Street, Des Moines, Iowa 50319.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Council for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) may be completed by the CPA firm or the Council and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

## Office of Auditor of State

### Report Filing Requirements

**Report** – The Substance Abuse Council or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the Council within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e., consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

**Per Diem Audit Billing & News Release** – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

**Submission** – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to [SubmitReports@AOS.iowa.gov](mailto:SubmitReports@AOS.iowa.gov).

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Paper copies (if not submitted electronically) of the per diem audit billing and news release should be sent to the following address:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319-0001

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## **Sample Substance Abuse Council**

### **Outline of Major Changes**

- A. Updated the Schedule of Expenditures of Federal Awards CFDA to Assistance Listing Numbers.

### **Additional Notes**

1. Attached is a sample Corrective Action Plan for Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not intended to match the findings shown in the sample entity nor are they required to be filed with this Office.
  2. This sample report does not include a liability for other postemployment benefits or postretirement benefits other than pensions. If the Council has an implicit or explicit other postemployment benefit or postretirement benefit other than pensions, the liability should be reported in accordance with FASB guidance. Other sample reports issued by the Office of Auditor of State include other postemployment benefit liabilities reported in accordance with GASB Statement No. 75 and these reports may be used for guidance.
  3. This sample report does not include intangible assets. If the Council has intangible assets, the assets should be reported in accordance with similar FASB guidance. Other sample reports issued by the Office of Auditor of State include intangible assets reported in accordance with GASB Statement No. 51 and these reports may be used for guidance.
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**Additional Notes (continued)**

**Sample A**

Sample Substance Abuse Council

Corrective Action Plan

Year Ended June 30, 2021

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
II-A-21	Segregation of Duties	We have reviewed procedures and plan to make the necessary changes to improve internal control.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2021
II-B-21	Financial Reporting	We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.	Tom Claim, Administrator, (515) YYY-XXXX	November 2, 2021
2021-001	Unsupported Expenditures	We will revise our procedures so documentation (e.g., invoices and time cards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on November 3, 2021.	Tom Claim, Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on November 3, 2021.
2021-002	Segregation of Duties over Federal Revenues	We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, to custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the Treasurer, Deputy Treasurer and Clerk.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2021
2021-003	Financial Reporting	We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2021 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2021.

**In accordance with Uniform Guidance Section 200.511(a), the Corrective Action Plan must include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.**

**Additional Notes (continued)**

**Sample B**

Sample Substance Abuse Council

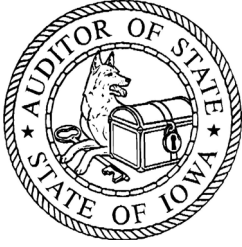
Summary Schedule of Prior Audit Findings

Year ended June 30, 2021

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
2018-001 2019-001 2020-001	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part.
II-A-19 2019-002 II-A-20 2020-002	Segregation of Duties over Federal Revenues	Not corrected.	Limited staff resulting from staff turnover. Plan to segregate duties for custody, recordkeeping and reconciling among staff when positions are filled.
II-B-19 II-B-20	Capital Assets	Corrective action taken.	
2020-003	Financial Reporting	Partially corrected.	Time was necessary to develop and implement review procedures. Timely report filing will begin with the quarter ending December 2021.

**In accordance with Uniform Guidance Section 200.511(a), the Summary Schedule of Prior Audit Findings must also include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

Contact:

FOR RELEASE \_\_\_\_\_

Auditor of State Rob Sand today released an audit report on Sample Substance Abuse Council, Anywhere, Iowa.

**FINANCIAL HIGHLIGHTS:**

The Council had public support and revenues of \$\_\_\_\_\_ for the year ended June 30, 2021, which was a(n) \_\_\_\_\_ % increase (decrease) from the prior year. Expenses for the Council's operations for the year ended June 30, 2021 totaled \$\_\_\_\_\_, a(n) \_\_\_\_\_ % increase (decrease) from the prior year. The significant increase (decrease) in revenues and expenses is due primarily to \_\_\_\_\_.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of Sample Substance Abuse Council funds. They are found on pages 25 through 28 of this report. The findings address issues such as a lack of segregation of duties and material amounts of receivables, payables and capital asset additions not properly recorded in the Council's financial statements. Sand provided the Council with recommendations to address each of these findings.

Three of the three findings discussed above are repeated from the prior year. The Board of Directors has a fiduciary responsibility to provide oversight of the Council's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

**(NOTE to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)**

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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**SAMPLE SUBSTANCE ABUSE COUNCIL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2021**

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**Sample Substance Abuse Council**

**Board of Directors**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Smith	President	Jan 2022
Jill Jones	Vice-President	Jan 2023
Joe Brown	Secretary	Jan 2022
Mary Moore	Treasurer	Jan 2022
Lester Hays	Member	Jan 2022
Dennis Jones	Member	Jan 2023
Sue Miller	Member	Jan 2023
Carol Long	Member	Jan 2023
George Martin	Member	Jan 2023
Roger Warren	Executive Director	Indefinite



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Independent Auditor's Report

To the Board of Directors of Sample Substance Abuse Council:

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Sample Substance Abuse Council as of June 30, 2021, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Substance Abuse Council as of June 30, 2021, and the changes in its net assets and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2021 on our consideration of Sample Substance Abuse Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample Substance Abuse Council's internal control over financial reporting and compliance.

Marlys K. Gaston, CPA  
Deputy Auditor of State

September 17, 2021

**Sample Substance Abuse Council**

## **Financial Statements**



**Exhibit A**

## Sample Substance Abuse Council

## Statement of Financial Position

June 30, 2021

	Current Fund	Land, Building and Equipment Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 107,934	-	107,934
Accounts receivable	12,262	-	12,262
Due from other funds	159,923	-	159,923
Prepaid expenses	19,158	-	19,158
Security deposit	50	-	50
Property and equipment at cost, net of accumulated depreciation	-	764,400	764,400
<b>Total assets</b>	<b>\$ 299,327</b>	<b>764,400</b>	<b>1,063,727</b>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable	\$ 33,101	-	33,101
Salaries payable	55,551	-	55,551
Note payable	40,500	-	40,500
Mortgage payable	-	485,891	485,891
Due to other funds	-	159,923	159,923
Total liabilities	129,152	645,814	774,966
Net assets:			
Unrestricted:			
Designated by Board for cash reserve	30,000	-	30,000
Available for operations	139,314	118,586	257,900
Total unrestricted	169,314	118,586	287,900
Permanently restricted	861	-	861
Total net assets	170,175	118,586	288,761
<b>Total liabilities and net assets</b>	<b>\$ 299,327</b>	<b>764,400</b>	<b>1,063,727</b>

See notes to financial statements.

Sample Substance Abuse Council

Statement of Activities

Year ended June 30, 2021

	Current Fund		Land, Building and Equipment Fund	Total
	Unrestricted	Permanently Restricted		
Public support and revenues:				
Public support:				
Iowa Department of Public Health:				
Treatment program	\$ 591,851	-	-	591,851
Prevention program	61,243	-	-	61,243
Counties	227,538	-	-	227,538
Cities	10,500	-	-	10,500
Donations	2,589	-	-	2,589
United Way	10,009	-	-	10,009
Total public support	903,730	-	-	903,730
Revenues:				
Resident Recovery Program:				
Veterans Administration resident fees	13,685	-	-	13,685
Other resident fees	71,264	-	-	71,264
Client fees	96,031	-	-	96,031
Miscellaneous	28,324	-	-	28,324
Total revenues	209,304	-	-	209,304
Total public support and revenues	1,113,034	-	-	1,113,034
Expenses:				
Program services	896,132	-	59,650	955,782
Support services	158,418	-	40,088	198,506
Total expenses	1,054,550	-	99,738	1,154,288
Change in net assets from operations	58,484	-	(99,738)	(41,254)
Other changes in net assets:				
Investment income	2,870	43	-	2,913
Property and equipment acquisitions	(21,666)	-	21,666	-
Other changes in net assets, net	(18,796)	43	21,666	2,913
Change in net assets	39,688	43	(78,072)	(38,341)
Net assets beginning of year	129,626	818	196,658	327,102
Net assets end of year	\$ 169,314	861	118,586	288,761

See notes to financial statements.

**Exhibit C**

## Sample Substance Abuse Council

## Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Support Services, Management and General	Total
Salaries	\$ 639,400	95,156	734,556
Benefits and taxes	103,064	15,033	118,097
	<u>742,464</u>	<u>110,189</u>	<u>852,653</u>
Rent	-	3,600	3,600
Groceries	37,525	-	37,525
Supplies and printing	11,949	6,941	18,890
Repair and maintenance	13,189	1,401	14,590
Insurance	26,460	2,810	29,270
Postage	595	3,314	3,909
Professional fees	-	5,075	5,075
Dues and subscriptions	-	1,907	1,907
Professional supplies	4,586	-	4,586
Travel and conferences	9,189	1,505	10,694
Contractual services	12,522	2,264	14,786
Utilities and telephone	27,865	2,959	30,824
Advertising	-	4,355	4,355
Equipment rent and repair	3,328	10,636	13,964
Interest	39,079	26,053	65,132
Staff development	3,079	136	3,215
Medical services and prescriptions	2,300	-	2,300
Miscellaneous	-	605	605
	<u>191,666</u>	<u>73,561</u>	<u>265,227</u>
Total expenses before depreciation	934,130	183,750	1,117,880
Depreciation	21,652	14,756	36,408
Total expenses	<u>\$ 955,782</u>	<u>198,506</u>	<u>1,154,288</u>

See notes to financial statements.

## Sample Substance Abuse Council

## Statement of Cash Flows

Year ended June 30, 2021

	<u>Current Fund - Unrestricted</u>
Cash flows from operating activities:	
Cash received from the Iowa Department of Public Health	\$ 655,594
Cash received from Counties	227,538
Cash received from Cities	10,500
Donations received	12,598
Cash received from resident and client fees	179,930
Other receipts	28,324
Cash paid to employees and suppliers	<u>(1,058,850)</u>
Net cash provided by operating activities	<u>55,634</u>
Cash flows from investing activities:	
Interest received	<u>2,870</u>
Net increase in cash and cash equivalents	58,504
Cash and cash equivalents beginning of year	<u>49,430</u>
Cash and cash equivalents end of year	<u>\$ 107,934</u>
<b>Reconciliation of change in net assets from operations to net cash provided by operating activities:</b>	
Change in net assets from operations	\$ 58,484
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from other funds	2,500
Accounts receivable	(1,050)
Prepaid expenses	(158)
Accounts payable	(1,057)
Salaries payable	<u>(3,085)</u>
Net cash provided by operating activities	<u>\$ 55,634</u>

See notes to financial statements.

Sample Substance Abuse Council

Notes to Financial Statements

June 30, 2021

**(1) Summary of Significant Accounting Policies**

A. Reporting Entity

Sample Substance Abuse Council is a non-profit corporation organized to provide education and group counseling for substance abusers and their families and to provide residential care for adult substance abusers. Services are provided primarily to residents of Sample County.

The Council 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 provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

The Council's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Council are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Current Fund - The Current Fund accounts for all resources over which the Council has discretionary control to use in carrying on the operations of the organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Council's Board may designate portions of the Current Fund for specific purposes, projects or investments as an aid in the planning of expenses and the conservation of assets. The Council maintains separate accounts for any designations within the Current Fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statement of Financial Position.

The Current Fund also accounts for all resources restricted by outside sources which can only be utilized in accordance with the purposes established by the sources of the funds.

Land, Building and Equipment Fund - The Land, Building and Equipment Fund is used to accumulate the net investment in capital assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the Council. Mortgages or other liabilities relating to these assets are also included in this fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the Current Fund balance and capitalized in the Land, Building and Equipment Fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting policies are followed in preparing the Statement of Financial Position:

Cash and Cash Equivalents - The Council considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Due from and Due to Other Funds - During the course of its operations, the Council has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years.

F. Public Support - United Way

Support from United Way represents amounts actually received or due, net of related fund-raising expenses. Accordingly, such related fund-raising expenses are not included in these statements.

G. Contributed Office Space

The fair value of the free use of office space is treated as a donation and an expense.

H. Total Column

The total column on the Statement of Financial Position and the Statement of Activities is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Property and Equipment**

A summary of property and equipment follows:

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 93,049
Buildings	682,314
Furniture and fixtures	<u>84,697</u>
Total cost	860,060
Less accumulated depreciation	<u>(95,660)</u>
Net	<u>\$ 764,400</u>

**(3) Note and Mortgage Payable**

Current Fund – The Council has borrowed \$40,500 on a \$75,000 unsecured line of credit from Anywhere State Bank. Interest at 7.5% per year accrues on the unpaid balance, which is due October 15, 2021.

Land, Building and Equipment Fund – Monthly installments of \$7,897, including 7% per annum interest on the unpaid balance, are due on the mortgage payable with a final due date of June 2029. The mortgage is collateralized by land and a building with a depreciated cost of \$623,722 at June 30, 2021. Details of the mortgage payable are as follows:

<u>Year Ending</u>				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2022	\$ 38,532	56,233	94,765	
2023	43,419	51,346	94,765	
2024	48,925	45,840	94,765	
2025	55,130	39,634	94,764	
2026	62,122	32,643	94,765	
2027-2029	<u>237,763</u>	<u>46,534</u>	<u>284,297</u>	
Total	<u>\$ 485,891</u>	<u>272,230</u>	<u>758,121</u>	

**(4) Interest Cost**

During the year, no interest cost was capitalized since there were no qualifying assets. Interest cost incurred and charged to expense for the year ended June 30, 2021 totaled \$65,132.

**(5) In-Kind Contributions**

The Council received donated office space in the Sample County Courthouse. The in-kind revenue and the corresponding expense is recognized in these financial statements at the estimated fair rental value of \$150 a month.

A number of volunteers donate a significant amount of time in various program areas, advisory boards and committees. No amounts have been reflected in the statements for these donated services because no objective basis is available to measure the value of such services.

**(6) Retirement Plan**

The Council contributes to the Council Retirement Plan (CRP), a defined contribution pension plan, for all full-time employees who have completed one year of service. CRP is authorized by the Council's by-laws which is administered by XYZ Insurance Company.

Benefit terms, including contribution requirements, for CRP are established and may be amended by the Board of Directors. For each employee in the pension plan, the Council is required to contribute 4% of annual salary to an individual employee account. Additionally, each plan participant must contribute 2% of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended June 30, 2021, employee contributions totaled \$14,031 and the Council recognized pension expense of \$28,062.

At June 30, 2021, the Council reported payables to the defined contribution pension plan of \$1,209 for legally required employer contributions and \$604 for legally required employee contributions which had been withheld from employee wages but not yet remitted to CRP.

**(7) Risk Management**

The Council 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 the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.



**(8) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Sample Substance Abuse Council, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Sample Substance Abuse Council. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Sample Substance Abuse Council.

**Supplementary Information**

**Sample Substance Abuse Council**

## Sample Substance Abuse Council

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

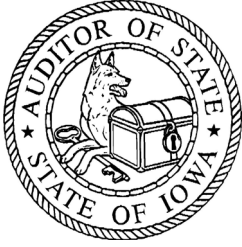
Grantor/Program	Assistance Listing Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department Health and Human Services:			
Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	5889CT005	\$ 691,851
Block Grants for Prevention and Treatment of Substance Abuse	93.959	5880CP049	<u>75,243</u>
Total			<u>\$ 767,094</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample Substance Abuse Council under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sample Substance Abuse Council, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample Substance Abuse Council.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – Sample Substance Abuse Council has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE  
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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of Sample Substance Abuse Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Sample Substance Abuse Council, Anywhere, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, and have issued our report thereon dated September 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Substance Abuse Council's internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample Substance Abuse Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Substance Abuse Council's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a material misstatement of the Council's financial statements will not be prevented or 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-21 and II-B-21 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Substance Abuse Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Council's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Council. 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.

### Sample Substance Abuse Council's Responses to the Findings

Sample Substance Abuse Council's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sample Substance Abuse Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

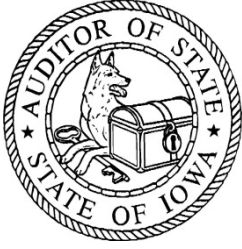
### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Substance Abuse Council 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

September 17, 2021



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STATE OF IOWA**

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Rob Sand  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Board of Directors of Sample Substance Abuse Council:

Report on Compliance for Each Major Federal Program

We have audited Sample Substance Abuse Council's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2021. The Council's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Sample Substance Abuse Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, Sample Substance Abuse Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sample Substance Abuse Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Substance Abuse Council's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, of a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-21 to be a material weakness.

Sample Substance Abuse Council's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sample Substance Abuse Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marlys K. Gaston, CPA  
Deputy Auditor of State

September 17, 2021



Sample Substance Abuse Council  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Block Grants for Prevention and Treatment of Substance Abuse, Assistance Listing Number 93.959.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Sample Substance Abuse Council did not qualify as a low-risk auditee.

Sample Substance Abuse Council

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Council's financial statements.

Condition – Cash receipts are issued, and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Cause – The Council has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Council's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Council should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-21 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Council's financial statements.

Sample Substance Abuse Council

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Condition – Material amounts of receivables, payables and capital asset additions were not recorded in the Council’s financial statements. Adjustments were subsequently made by the Council to properly include these amounts in the financial statements.

Cause – Council policies do not require and procedures have not been established to require independent review of year end cut-off transactions and capital asset additions to ensure the Council’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Council employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Council’s financial statements were necessary.

Recommendation – The Council should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Council’s financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Sample Substance Abuse Council  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**AL Number 93.959: Block Grants for Prevention and Treatment of Substance Abuse  
Pass-through Entity Identifying Numbers: 5889CT005 and 5880CPO49  
Federal Award Year: 2020 and 2021  
Prior Year Finding Number: III-A-20  
U.S. Department of Health and Human Services  
Passed through the Iowa Department of Public Health**

III-A-21      Segregation of Duties – The Council did not properly segregate voucher  
(2021-001)      processing, recording and check writing functions for disbursements,  
including those related to its federal program. See II-A-21.

**Part IV: Other Findings Related to Required Statutory Reporting:**

No matters were noted.

Sample Substance Abuse Council

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
John Q. Review, CPA, Manager  
Margo Setter, CPA, Senior Auditor  
Jerome Warning, CPA, Senior Auditor