



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE February 22, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the North Iowa Juvenile Detention Services Commission.

The Commission's receipts totaled \$1,243,276 for the year ended June 30, 2004, an 18 percent increase. The receipts included \$878,380 in detention care fees, \$298,639 from the state and \$3,846 in interest on investments. The significant increase in receipts is due primarily to receipts for state programs.

Disbursements for the year totaled \$1,333,321, an 11 percent increase from the prior year, and included \$764,568 for salaries, \$252,324 for employee benefits and \$87,146 for insurance. The significant increase in disbursements is due primarily to the payment of two years insurance in the year ended June 30, 2004.

A copy of the audit report is available for review in the Office of Auditor of State and the North Iowa Juvenile Detention Services Commission's office.

###

**NORTH IOWA JUVENILE DETENTION
SERVICES COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 12
Notes to Financial Statement	13-15
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	17-18
Schedule of Findings	19
Staff	20

North Iowa Juvenile Detention Services Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Sherry Mattke	Chair	Chickasaw County
Ron Buch	Vice Chair	Benton County
Leon Mosley	Treasurer/Secretary	Black Hawk County
Lennie Burke	Member	Allamakee County
Gaylord Hinderaker	Member	Bremer County
Ralph Kremer	Member	Buchanan County
Larry Backer	Member	Butler County
Robert Amosson	Member	Cerro Gordo County
Robert Walke	Member	Clayton County
Steve Koenke	Member	Delaware County
Donna Smith	Member	Dubuque County
John Bunn	Member	Fayette County
Arlin Enabnit	Member	Floyd County
Daryl Kothenbeutel	Member	Franklin County
Elmer Willms	Member	Grundy County
Mary Jo Wilhelm	Member	Howard County
Ron Goeke	Member	Marshall County
Mike Bergan	Member	Winneshiek County
Darrell Bang	Member	Worth County
Rod Toftey	Member	Wright County
Steve Smith	Member-at-large	
Thomas Horvath	Member-at-large	
Jane Hartman	Member-at-large	
Neal Wedeking	Member-at-large	
Capt. Timothy Pillack	Member-at-large	
Sara Petersen	Director	

North Iowa Juvenile Detention Services Commission



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the North Iowa
Juvenile Detention Services Commission:

We have audited the accompanying financial statement of the North Iowa Juvenile Detention Services Commission as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

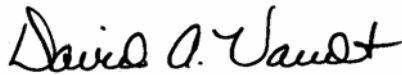
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the North Iowa Juvenile Detention Services Commission as of June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 7, during the year ended June 30, 2004, the North Iowa Juvenile Detention Services Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2004 on our consideration of the North Iowa Juvenile Detention Services Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Iowa Juvenile Detention Services Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the North Iowa Juvenile Detention Services Commission is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- Operating receipts increased 20%, or \$208,573, from fiscal 2003 to fiscal 2004.
- Operating disbursements increased 11%, or \$134,934, from fiscal 2003 to fiscal 2004.
- Cash basis net assets decreased 14%, or \$90,045, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the Commission's cash basis balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received from twenty member counties and non-member counties for services provided to juveniles who await court disposition. The Commission provides a physically secure, emotionally stable and safe environment for these individuals until final court ruling. Operating disbursements are disbursements paid to operate the Commission. Non-operating receipts includes interest on investments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
Operating receipts:		
Detention care fees	\$ 878,380	799,795
Telephone support	20,544	20,786
State programs	298,639	158,467
Transportation service fees	20,838	35,651
Miscellaneous	21,029	16,158
Total operating receipts	1,239,430	1,030,857
Operating disbursements:		
Salaries	764,568	744,308
Payroll tax and IPERS	102,452	99,738
Health and life insurance	149,872	131,395
Food and clothing	50,827	51,255
Insurance	87,146	-
Loan repayment:		
Principal	54,460	50,704
Interest	23,058	25,657
Other	100,938	95,330
Total operating disbursements	1,333,321	1,198,387
Deficiency of operating receipts under operating disbursements	(93,891)	(167,530)
Non-operating receipts:		
Interest on investments	3,846	20,281
Change in cash basis net assets	(90,045)	(147,249)
Cash basis net assets beginning of year	665,395	812,644
Cash basis net assets end of year	\$ 575,350	665,395

In fiscal 2004, operating receipts increased by \$208,573, or 20%. The increase was primarily a result of 2003 activity of \$52,250 received and deposited in fiscal year 2004 and an increase of state program reimbursements of \$140,172 in fiscal year 2004.

In fiscal 2004, operating disbursements increased by \$134,934, or 11%, from fiscal 2003 due to increases in health insurance of \$18,477, repair and maintenance of \$11,743, the payment of two years insurance in fiscal 2004 of \$87,146 and an increase in salaries, payroll tax and IPERS of \$22,974 resulting from 3% raises granted to employees.

LONG-TERM DEBT

At June 30, 2004, the Commission had \$394,367 left on the outstanding loan agreement to Black Hawk County for the building addition added in 1995. The agreement is payable over the next six years.

ECONOMIC FACTORS

The North Iowa Juvenile Detention Services Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- A decrease in juvenile crime in the midwest has affected the multi county centers due to the revenues earned when juveniles are placed in detention. Transportation cost will be down due to the same issues already stated.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Louie Cox, Director of North Iowa Juvenile Detention Services Commission, 1440 W. Dunkerton Road, Waterloo, Iowa, 50703.

North Iowa Juvenile Detention Services Commission

Financial Statement

Exhibit A

North Iowa Juvenile Detention Services Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

June 30, 2004

Operating receipts:	
Detention care fees	\$ 878,380
Telephone support	20,544
State programs	298,639
Transportation service fees	20,838
Miscellaneous	21,029
Total operating receipts	<u>1,239,430</u>
Operating disbursements:	
Salaries	764,568
Payroll tax and IPERS	102,452
Health and life insurance	149,872
Audit fees	2,650
Supplies	18,103
Equipment	8,128
Telephone	5,774
Resident health	3,529
Travel	8,311
Food and clothing	50,827
Repair and maintenance	17,589
Building and remodeling	1,606
Utilities	18,476
Insurance	87,146
Unemployment tax	511
Transportation	10,733
Miscellaneous	5,528
Loan repayment:	
Principal	54,460
Interest	23,058
Total operating disbursements	<u>1,333,321</u>
Deficiency of operating receipts under operating disbursements	(93,891)
Non-operating receipts:	
Interest on investments	<u>3,846</u>
Change in cash basis net assets	(90,045)
Cash basis net assets beginning of year	<u>665,395</u>
Cash basis net assets end of year	<u>\$ 575,350</u>
Cash Basis Net Assets	
Unrestricted	<u>\$ 575,350</u>

See notes to financial statement.

North Iowa Juvenile Detention Services Commission

Notes to Financial Statement

June 30, 2004

(1) Summary of Significant Accounting Policies

From its inception in 1986 until July 1987, the North Iowa Juvenile Detention Services Commission was under the direction of the Juvenile Detention Project Advisory Committee. In July 1987, the North Iowa Juvenile Detention Services Commission was established. This Commission is a voluntary joint undertaking of the Boards of Supervisors of the counties of Allamakee, Black Hawk, Benton, Bremer, Buchanan, Butler, Cerro Gordo, Chickasaw, Clayton, Delaware, Dubuque, Fayette, Floyd, Franklin, Grundy, Howard, Marshall, Winneshiek, Worth and Wright, Iowa as authorized in Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable and safe environment in which juveniles can await court disposition.

A. Reporting Entity

For financial reporting purposes, the North Iowa Juvenile Detention Services Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The North Iowa Juvenile Detention Services Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated closure and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Throughout the year and at June 30, 2004, the Commission utilized a sweep account that was invested in repurchase agreements backed by government securities.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Note Payable

On August 24, 1995, the Commission entered into an \$800,000 loan agreement with Black Hawk County to pay the costs of an addition to the facility. The loan is evidenced by a revenue capital loan note requiring annual principal payments and semi-annual interest payments. Details of the capital loan note at June 30, 2004 are as follows:

Due Date	Interest Rates	Principal	Interest	Total
Dec 1, 2004	5.125%	\$ -	10,134	10,134
Jun 1, 2005	5.125	56,338	10,134	66,472
Dec 1, 2005	5.125	-	8,690	8,690
Jun 1, 2006	5.125	60,094	8,690	68,784
Dec 1, 2006	5.125	-	7,150	7,150
Jun 1, 2007	5.125	63,850	7,150	71,000
Dec 1, 2007	5.125	-	5,514	5,514
Jun 1, 2008	5.125	67,606	5,514	73,120
Dec 1, 2008	5.125	-	3,781	3,781
Jun 1, 2009	5.125	71,362	3,782	75,144
Dec 1, 2009	5.200	-	1,953	1,953
Jun 1, 2010	5.200	75,117	1,953	77,070
Total		\$ 394,367	74,445	468,812

During the year ended June 30, 2004, principal of \$54,460 and interest of \$23,058 were paid.

(4) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$43,963, \$42,793 and \$41,772, respectively, equal to the required contributions for each year.

(5) Risk Management

The North Iowa Juvenile Detention Services Commission is exposed to various risks of loss related to torts; theft, 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 Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation hours payable to employees at June 30, 2004 was \$55,600. This liability has been computed based on rates of pay in effect at June 30, 2004.

(7) Accounting Change

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balance of the Commission.

North Iowa Juvenile Detention Services Commission



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the North Iowa
Juvenile Detention Services Commission:

We have audited the financial statement of the North Iowa Juvenile Detention Services Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated November 22, 2004. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the North Iowa Juvenile Detention Services Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

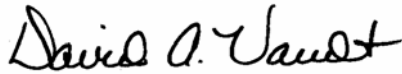
Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, 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.

Internal Control Over Financial Reporting

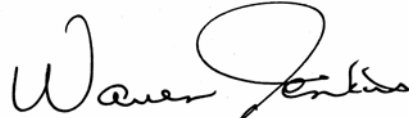
In planning and performing our audit, we considered the North Iowa Juvenile Detention Services Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the North Iowa Juvenile Detention Services Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Iowa Juvenile Detention Services Commission 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2004

North Iowa Juvenile Detention Services Commission

Schedule of Findings

June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Other Findings Related to Required Statutory Reporting:

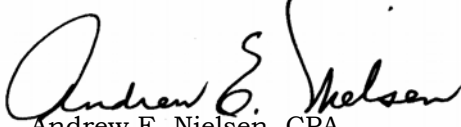
- (1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.

North Iowa Juvenile Detention Services Commission

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Pamela L. Brandenburg, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State