



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

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**NEWS RELEASE**

FOR RELEASE

March 9, 2017

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Central Iowa Juvenile Detention Center in Eldora, Iowa.

The Center had total receipts of \$8,652,018 for the year ended June 30, 2016, an 11.2% increase over the prior year. The receipts included \$1,720,256 in detention care fees, \$770,483 in state program receipts, \$4,868,024 from child welfare service fees, \$105,590 in juvenile justice receipts and \$950,000 in line of credit proceeds.

Disbursements totaled \$8,507,415 for the year ended June 30, 2016, a 7.8% increase over the prior year, and included \$3,407,979 for salaries, \$465,496 for travel and \$1,459,822 for debt principal and interest payments.

The increase in receipts and disbursements is due primarily to a significant increase in child welfare coordination services provided and increased loan activity from the prior year.

A copy of the audit report is available for review in the Central Iowa Juvenile Detention Center's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1614-2341-B00F>.

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**CENTRAL IOWA JUVENILE DETENTION CENTER**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2016**

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## Central Iowa Juvenile Detention Center

### Officials

| <u>Name</u>                        | <u>Title</u>               | <u>Representing</u> |
|------------------------------------|----------------------------|---------------------|
| Dave Thompson                      | Chair                      | Marshall County     |
| Trevor White                       | 1 <sup>st</sup> Vice-Chair | Poweshiek County    |
| Lance Granzow                      | 2 <sup>nd</sup> Vice-Chair | Hardin County       |
| Wesley Sweedler                    | Ex-Officio                 | Hamilton County     |
| Mark Waits                         | Member                     | Appanoose County    |
| Terry Hertle                       | Member                     | Benton County       |
| Tom Foster                         | Member                     | Boone County        |
| Paul Merten                        | Member                     | Buena Vista County  |
| Mike Cooper                        | Member                     | Calhoun County      |
| Jeff Quastad                       | Member                     | Emmet County        |
| Doug Kamm                          | Member                     | Floyd County        |
| Gary McVicker                      | Member                     | Franklin County     |
| John Muir                          | Member                     | Greene County       |
| Ron Sweers                         | Member                     | Hancock County      |
| Morton Christianson                | Member                     | Humboldt County     |
| Ray Garringer                      | Member                     | Iowa County         |
| Dennis Stevenson                   | Member                     | Jasper County       |
| Roger Tjarks                       | Member                     | Kossuth County      |
| Mark Doland                        | Member                     | Mahaska County      |
| Ed Noonan                          | Member                     | Palo Alto County    |
| Paul Toot                          | Member                     | (Deceased May 2016) |
| Wayne Clinton (Appointed May 2016) | Member                     | Story County        |
| Larry Vest                         | Member                     | Tama County         |
| Merrill Leffler                    | Member                     | Webster County      |
| Mike Stensrud                      | Member                     | Winnebago County    |
| Rick Rasmussen                     | Member                     | Wright County       |
| Tony Reed                          | Executive Director         |                     |
| Justin Cornish                     | Regulatory Director        |                     |
| Kassie Ruth                        | Fiscal Director            |                     |

**Central Iowa Juvenile Detention Center**



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Independent Auditor's Report

To the Members of the Central Iowa Juvenile Detention Center:

Report on the Financial Statements

We have audited the accompanying Proprietary Fund Statement of Cash Receipts, Disbursements and Changes in Cash Balance and the Fiduciary Fund Statement of Cash Receipts, Disbursements and Changes in Cash Balance of the Central Iowa Juvenile Detention Center as of and for the year ended June 30, 2016, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 opinions 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 Center'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 Center'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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Proprietary Fund and the Fiduciary Fund of the Central Iowa Juvenile Detention Center as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, the financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Other Information*

The other information, Management's Discussion and Analysis, the Schedule of the Center's Proportionate Share of the Net Pension Liability and the Schedule of Center Contributions on pages 7 through 9 and 23 through 26 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2017 on our consideration of the Central Iowa Juvenile Detention Center'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 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 in considering the Central Iowa Juvenile Detention Center's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

February 24, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Central Iowa Juvenile Detention Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Central Iowa Juvenile Detention Center is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Center's financial statements, which follows.

### **2016 FINANCIAL HIGHLIGHTS**

- Operating receipts increased 9.7%, or \$679,899, from fiscal year 2015 to fiscal year 2016 due to increased programming for child welfare services.
- Operating disbursements increased 19.4%, or \$1,139,486, from fiscal year 2015 to fiscal year 2016 due to increased programming costs.
- The Center's cash balance increased 373.4%, or \$144,603, from June 30, 2015 to June 30, 2016, primarily due to an increase in line of credit proceeds and a decrease in debt service payments.

### **USING THIS ANNUAL REPORT**

The Center has elected to present its financial statements on the 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 the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, readers 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 Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statements. The annual report consists of the financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Center's financial activities.
- The Proprietary Fund Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Center's operating receipts and disbursements, non-operating receipts and disbursements and whether the Center's financial position has improved or deteriorated as a result of the year's activities.
- The Fiduciary Fund Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Center's activities for which the Center acts solely as an agent or custodian for the benefit of those outside of the Center.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.
- Other Information further explains and supports the financial statements with the Center's proportionate share of the net pension liability and related contributions.

## FINANCIAL ANALYSIS OF THE CENTER

### *Proprietary Fund Statement of Cash Receipts, Disbursements and Changes in Cash Balance*

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

Operating receipts are received for fees for detention care, state programs, child welfare and juvenile justice. Operating disbursements are disbursements paid to operate the Center. Non-operating receipts and disbursements are for interest on investments, debt proceeds, construction costs and principal and interest paid. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2016 and June 30, 2015 is as follows:

| Changes in Cash Balance                                      |                     |                    |
|--|---------------------|--------------------|
|  | Year ended June 30, |                    |
|  | 2016                | 2015               |
| Operating receipts:  |                     |                    |
| Detention care fees  | \$ 1,720,256        | 1,540,286          |
| State programs   | 770,483             | 642,923            |
| Child welfare service fees                                   | 4,868,024           | 4,515,734          |
| Juvenile justice   | 105,590             | 178,662            |
| Miscellaneous  | 237,320             | 144,169            |
| Total operating receipts                                     | <u>7,701,673</u>    | <u>7,021,774</u>   |
| Operating disbursements:                                     |                     |                    |
| Salaries   | 3,407,979           | 2,952,061          |
| Employee benefits  | 1,231,366           | 1,030,956          |
| Travel   | 465,496             | 451,325            |
| Resident meals   | 111,233             | 112,684            |
| Building repairs   | 53,388              | 71,140             |
| Utilities  | 71,380              | 67,095             |
| Equipment  | 7,648               | 25,134             |
| Vehicle purchase   | 89,666              | 43,084             |
| Vehicle maintenance  | 82,907              | 64,005             |
| Professional fees  | 105,306             | 97,512             |
| Insurance  | 86,296              | 104,271            |
| Supplies   | 190,268             | 121,611            |
| Medical  | 125,417             | 98,987             |
| Staff development  | 16,999              | 4,246              |
| Information services   | 59,526              | 49,377             |
| Community based services                                     | 908,218             | 580,119            |
| Total operating disbursements                                | <u>7,013,093</u>    | <u>5,873,607</u>   |
| Excess of operating receipts<br>over operating disbursements | <u>688,580</u>      | <u>1,148,167</u>   |
| Non-operating receipts (disbursements):                      |                     |                    |
| Interest on investments                                      | 345                 | 304                |
| Mortgage line of credit proceeds                             | -                   | 20,000             |
| Other line of credit proceeds                                | 950,000             | 740,000            |
| Construction in progress                                     | (34,500)            | -                  |
| Debt service   | (1,459,822)         | (2,015,413)        |
| Net non-operating receipts (disbursements)                   | <u>(543,977)</u>    | <u>(1,255,109)</u> |
| Change in cash balance                                       | 144,603             | (106,942)          |
| Cash balance beginning of year                               | 38,727              | 145,669            |
| Cash balance end of year                                     | <u>\$ 183,330</u>   | <u>38,727</u>      |

In fiscal year 2016, operating receipts increased \$679,899, or 9.7%, over fiscal year 2015. The increase was primarily a result of increased receipts for detention care as a result of the additional mental health contracts as well as increased receipts for providing child welfare services. In fiscal year 2016, operating disbursements increased \$1,139,486, or 19.4%, over fiscal year 2015. The increase in disbursements was due to costs for providing the additional services noted above.

### **LONG-TERM DEBT**

During the year ended June 30, 2016, the Center received line of credit proceeds totaling \$950,000. At June 30, 2016, \$375,300 was outstanding on the business line of credit.

### **ECONOMIC FACTORS**

The financial position of the Center improved in the current fiscal year. The current condition of the economy in the state continues to be a concern for Center officials. Some of the realities that may potentially become challenges for the Center to meet are facilities and equipment require constant maintenance and upkeep.

The Center anticipates the current fiscal year will be a year of service growth due to the increase in the number of services provided and geographical areas served. In addition, the Center has begun expansion projects and the majority of the construction will take place during fiscal year 2017.

### **CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Center's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Central Iowa Juvenile Detention Center, 2317 Rick Collins Way, Eldora, Iowa 50627, phone (641) 858-3852 or e-mail [cijdc@cijdc.com](mailto:cijdc@cijdc.com).

**Central Iowa Juvenile Detention Center**

## **Financial Statements**

**Exhibit A**

Central Iowa Juvenile Detention Center  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund

As of and for the year ended June 30, 2016

|   |             |                   |
|---|-------------|-------------------|
| Operating receipts:                                       |             |                   |
| Detention care fees                                       |             | \$ 1,720,256      |
| State programs:   |             |                   |
| Detention care  | \$ 700,884  |                   |
| School lunch  | 69,599      | 770,483           |
| Child welfare service fees                                |             | 4,868,024         |
| Juvenile justice  |             | 105,590           |
| Miscellaneous   |             | 237,320           |
| Total operating receipts                                  |             | <u>7,701,673</u>  |
| Operating disbursements:                                  |             |                   |
| Salaries:   |             |                   |
| Detention care  | 1,724,804   |                   |
| Community based services                                  | 1,683,175   | 3,407,979         |
| Employee benefits:  |             |                   |
| Detention care  | 743,820     |                   |
| Community based services                                  | 487,546     | 1,231,366         |
| Travel:   |             |                   |
| Detention care  | 59,762      |                   |
| Community based services                                  | 405,734     | 465,496           |
| Resident meals  |             | 111,233           |
| Building repairs  |             | 53,388            |
| Utilities   |             | 71,380            |
| Equipment   |             | 7,648             |
| Vehicle purchase  |             | 89,666            |
| Vehicle maintenance                                       |             | 82,907            |
| Professional fees   |             | 105,306           |
| Insurance   |             | 86,296            |
| Supplies  |             | 190,268           |
| Medical   |             | 125,417           |
| Staff development   |             | 16,999            |
| Information services                                      |             | 59,526            |
| Community based services                                  |             | 908,218           |
| Total operating disbursements                             |             | <u>7,013,093</u>  |
| Excess of operating receipts over operating disbursements |             | <u>688,580</u>    |
| Non-operating receipts (disbursements):                   |             |                   |
| Interest on investments                                   |             | 345               |
| Line of credit proceeds                                   |             | 950,000           |
| Construction in progress                                  |             | (34,500)          |
| Debt service:   |             |                   |
| Principal   | (1,454,173) |                   |
| Interest  | (5,649)     | (1,459,822)       |
| Net non-operating receipts (disbursements)                |             | <u>(543,977)</u>  |
| Change in cash balance                                    |             | 144,603           |
| Cash balance beginning of year                            |             | 38,727            |
| Cash balance end of year                                  |             | <u>\$ 183,330</u> |
| <b>Cash Basis Fund Balance</b>                            |             |                   |
| Unrestricted  |             | <u>\$ 183,330</u> |

See notes to financial statement.

Central Iowa Juvenile Detention Center  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Fiduciary Fund

As of and for the year ended June 30, 2016

|                                       | <u>Central Iowa<br/>Recovery</u> |
|---------------------------------------|----------------------------------|
| Receipts:                             |                                  |
| Intensive psychiatric rehabilitation  | \$ 1,066,979                     |
| Interest                              | <u>238</u>                       |
| Total                                 | 1,067,217                        |
| Disbursements:                        |                                  |
| Intensive psychiatric rehabilitation  | <u>1,218,100</u>                 |
| Excess of receipts over disbursements | (150,883)                        |
| Cash balance beginning of year        | <u>152,439</u>                   |
| Cash balance end of year              | <u>\$ 1,556</u>                  |

See notes to financial statements.

Central Iowa Juvenile Detention Center

Notes to Financial Statement

June 30, 2016

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

The Central Iowa Juvenile Detention Center was formed in 1993 pursuant to Chapter 28E of the Code of Iowa. The Center is a voluntary joint undertaking of the Boards of Supervisors of the counties of Appanoose, Benton, Boone, Buena Vista, Calhoun, Emmet, Floyd, Franklin, Greene, Hamilton, Hancock, Hardin, Humboldt, Iowa, Jasper, Kossuth, Mahaska, Marshall, Palo Alto, Poweshiek, Story, Tama, Webster, Winnebago and Wright, 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 Central Iowa Juvenile Detention Center has included all funds, organizations, agencies, boards, commissions and authorities. The Center 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 Center are such that exclusion would cause the Center's financial statements 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 Center 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 Center. The Center has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The proprietary fund financial statement of the Center is 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.

Additionally, the Center reports a fiduciary fund. The Agency Fund is used to account for assets held by the Center as an agent for other organizations.

C. Basis of Accounting

The Center maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Center are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the Center in accordance with U.S. generally accepted accounting principles.

**(2) Cash and Investments**

The Center's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The Center 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 Center; 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.

The Center had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Short-Term and Long-Term Liabilities**

A summary of changes in short-term and long-term liabilities and interest paid for the year ended June 30, 2016 is as follows:

|                               | Line of<br>Credit | Mortgage<br>Line of Credit | Total     |
|-------------------------------|-------------------|----------------------------|-----------|
| Balance beginning of year     | \$ 34,088         | 845,385                    | 879,473   |
| Increases                     | 950,000           | -                          | 950,000   |
| Decreases                     | 608,788           | 845,385                    | 1,454,173 |
| Balance end of year           | \$ 375,300        | -                          | 375,300   |
| Interest paid during the year | \$ 424            | 5,225                      | 5,649     |

Line of Credit

On June 21, 2013, the Board approved a line of credit with a local bank for a maximum of \$500,000. The line of credit bears 3.9% interest per annum. Funds are drawn to pay operating expenses and are repaid when funds are received from operations. During fiscal year 2016, the outstanding balance did not exceed the \$500,000 maximum. In fiscal year 2016, \$950,000 was drawn on the line of credit and \$608,788 was repaid. Current year interest paid was \$424.

Mortgage Line of Credit

On June 21, 2013, the Board approved a mortgage line of credit with a local bank for a maximum of \$2,700,000. The line of credit bears 3.9% interest per annum. Funds are drawn to pay construction expenses and are repaid when funds are received from operations. During fiscal year 2016, the outstanding balance did not exceed the \$2,700,000 maximum. In fiscal year 2016, no additional funds were drawn on the line of credit and \$845,385 was repaid in full. Current year interest paid was \$5,225.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the Center, except for those covered by another retirement system. Employees of the Center are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Center contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Center’s contributions to IPERS for the year ended June 30, 2016 totaled \$294,649.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Center reported a liability of its proportionate share of the collective net pension liability of \$2,003,674. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center’s proportion of the net pension liability was based on the Center’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Center’s proportion was 0.040556%, which was an increase of 0.001756% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Center’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$168,974, \$385,228 and \$466,548, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00% per annum.  |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50% compounded annually, net of investment<br>expense, including inflation.   |
| Wage growth<br>(effective June 30, 1990)                         | 4.00% per annum, based on 3.00% inflation<br>and 1.00% real wage inflation.     |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28%              | 2.04%                                  |
| Domestic equity        | 24               | 6.29                                   |
| International equity   | 16               | 6.75                                   |
| Private equity/debt    | 11               | 11.32                                  |
| Real estate            | 8                | 3.48                                   |
| Credit opportunities   | 5                | 3.63                                   |
| U.S. TIPS              | 5                | 1.91                                   |
| Other real assets      | 2                | 6.24                                   |
| Cash                   | 1                | (0.71)                                 |
| Total                  | 100%             |  |

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Center will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Center’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Center’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Center’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

|   | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|---|---------------------------|-----------------------------|---------------------------|
| Center's proportionate share of the net pension liability | \$ 3,508,073              | 2,003,674                   | 733,854                   |

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The Center operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 46 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Center. The Center currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Center and plan members are \$395 for single coverage and \$1,213 for family coverage. For the year ended June 30, 2016, the Center contributed \$206,645 and plan members eligible for benefits contributed \$115,717 to the plan.

**(6) Risk Management**

The Center 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 Center 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.

**(7) Compensated Absences**

Center employees accumulate an established amount of earned personal time off based on the number of years of service for subsequent use or for payment upon termination, resignation, retirement or death. These accumulations are not recognized as disbursements by the Center until used or paid. The Center’s approximate liability to employees for earned personal time off at June 30, 2016 is \$210,100. This liability has been computed based on rates of pay in effect at June 30, 2016.

**(8) Early Childhood Iowa Area Boards**

The Center is the fiscal agent for three Early Childhood Iowa Area Boards (Building Direction for Families, 4RKids and DHLW), organizations formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Boards receive state grants to administer early childhood centers school ready programs. Financial transactions of the Area Boards are not included in the Center’s financial statements. The Area Boards’ financial data for the year ended June 30, 2016 is as follows:

Building Direction for Families

|   | Early<br>Childhood | School<br>Ready | Total   |
|---|--------------------|-----------------|---------|
| Revenues:                                 |                    |                 |         |
| State grants:                             |                    |                 |         |
| Early childhood                           | \$ 92,035          | -               | 92,035  |
| Family support and parent education       | -                  | 252,578         | 252,578 |
| Preschool support for low-income families | -                  | 110,900         | 110,900 |
| Quality improvement                       | -                  | 58,706          | 58,706  |
| Allocation for administration             | 4,844              | 13,877          | 18,721  |
| Other grant programs                      | -                  | 26,692          | 26,692  |
| Total state grants                        | 96,879             | 462,753         | 559,632 |
| Interest on investments                   | 65                 | 260             | 325     |
| Total revenues                            | 96,944             | 463,013         | 559,957 |
| Expenditures:                             |                    |                 |         |
| Program services:                         |                    |                 |         |
| Early childhood                           | 86,038             | -               | 86,038  |
| Family support and parent education       | -                  | 255,995         | 255,995 |
| Preschool support for low income families | -                  | 107,629         | 107,629 |
| Quality improvement                       | -                  | 55,116          | 55,116  |
| Other program services                    | -                  | 43,460          | 43,460  |
| Total program services                    | 86,038             | 462,200         | 548,238 |
| Administration                            | 4,844              | 13,877          | 18,721  |
| Total expenditures                        | 90,882             | 476,077         | 566,959 |
| Change in fund balance                    | 6,062              | (13,064)        | (7,002) |
| Fund balance beginning of year            | 5,503              | 28,112          | 33,615  |
| Fund balance end of year                  | \$ 11,565          | 15,048          | 26,613  |

## 4RKids

|   | Early<br>Childhood | School<br>Ready | Total     |
|---|--------------------|-----------------|-----------|
| Revenues:                                 |                    |                 |           |
| State grants:                             |                    |                 |           |
| Early childhood                           | \$ 105,829         | -               | 105,829   |
| Family support and parent education       | -                  | 530,371         | 530,371   |
| Preschool support for low-income families | -                  | 232,871         | 232,871   |
| Quality improvement                       | -                  | 80,884          | 80,884    |
| Allocation for administration             | 5,695              | 28,992          | 34,687    |
| Other grant programs                      | -                  | 57,318          | 57,318    |
| Total state grants                        | 111,524            | 930,436         | 1,041,960 |
| Interest on investments                   | 75                 | 674             | 749       |
| Total revenues                            | 111,599            | 931,110         | 1,042,709 |
| Expenditures:                             |                    |                 |           |
| Program services:                         |                    |                 |           |
| Early childhood                           | 105,829            | -               | 105,829   |
| Family support and parent education       | -                  | 591,673         | 591,673   |
| Preschool support for low income families | -                  | 250,916         | 250,916   |
| Quality improvement                       | -                  | 78,958          | 78,958    |
| Other program services                    | -                  | 51,321          | 51,321    |
| Total program services                    | 105,829            | 972,868         | 1,078,697 |
| Administration                            | 5,546              | 26,275          | 31,821    |
| Total expenditures                        | 111,375            | 999,143         | 1,110,518 |
| Change in fund balance                    | 224                | (68,033)        | (67,809)  |
| Fund balance beginning of year            | 635                | 119,090         | 119,725   |
| Fund balance end of year                  | \$ 859             | 51,057          | 51,916    |

## DHLW

|   | Early<br>Childhood | School<br>Ready | Total    |
|---|--------------------|-----------------|----------|
| Revenues:                                 |                    |                 |          |
| State grants:                             |                    |                 |          |
| Early childhood                           | \$ 199,891         | -               | 199,891  |
| Family support and parent education       | -                  | 430,593         | 430,593  |
| Preschool support for low-income families | -                  | 189,061         | 189,061  |
| Quality improvement                       | -                  | 63,160          | 63,160   |
| Allocation for administration             | 10,521             | 22,550          | 33,071   |
| Other grant programs                      | -                  | 46,611          | 46,611   |
| Total state grants                        | 210,412            | 751,975         | 962,387  |
| Interest on investments                   | 182                | 649             | 831      |
| Total revenues                            | 210,594            | 752,624         | 963,218  |
| Expenditures:                             |                    |                 |          |
| Program services:                         |                    |                 |          |
| Early childhood                           | 228,182            | -               | 228,182  |
| Family support and parent education       | -                  | 437,935         | 437,935  |
| Preschool support for low income families | -                  | 201,548         | 201,548  |
| Quality improvement                       | -                  | 71,807          | 71,807   |
| Other program services                    | -                  | 13,545          | 13,545   |
| Total program services                    | 228,182            | 724,835         | 953,017  |
| Administration                            | 10,766             | 20,793          | 31,559   |
| Total expenditures                        | 238,948            | 745,628         | 984,576  |
| Change in fund balance                    | (28,354)           | 6,996           | (21,358) |
| Fund balance beginning of year            | 38,492             | 88,446          | 126,938  |
| Fund balance end of year                  | \$ 10,138          | 95,442          | 105,580  |

## **Other Information**

**Central Iowa Juvenile Detention Center**

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Central Iowa Juvenile Detention Center

Schedule of the Center's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Other Information

|   | 2016      | 2015      |
|---|-----------|-----------|
| Center's proportion of the net pension liability  | 0.040556% | 0.038800% |
| Center's proportionate share of the net pension liability   | \$ 2,004  | 1,539     |
| Center's covered-employee payroll   | \$ 2,778  | 2,531     |
| Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 72.14%    | 60.81%    |
| IPERS' net position as a percentage of the total pension liability  | 85.19%    | 87.61%    |

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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Central Iowa Juvenile Detention Center

Schedule of Center Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

|   | 2016     | 2015  | 2014  | 2013  |
|---|----------|-------|-------|-------|
| Statutorily required contribution                                     | \$ 295   | 248   | 226   | 141   |
| Contributions in relation to the<br>statutorily required contribution | (295)    | (248) | (226) | (141) |
| Contribution deficiency (excess)                                      | \$ -     | -     | -     | -     |
| Center's covered-employee payroll                                     | \$ 3,299 | 2,778 | 2,531 | 1,626 |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%    | 8.93% | 8.93% | 8.67% |

See accompanying independent auditor's report.

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| 2012  | 2011  | 2010  | 2009  | 2008  | 2007  |
|-------|-------|-------|-------|-------|-------|
| 170   | 114   | 82    | 75    | 65    | 53    |
| (170) | (114) | (82)  | (75)  | (65)  | (53)  |
| -     | -     | -     | -     | -     | -     |
| 2,107 | 1,640 | 1,233 | 1,181 | 1,074 | 922   |
| 8.07% | 6.95% | 6.65% | 6.35% | 6.05% | 5.75% |

Central Iowa Juvenile Detention Center  
Notes to Other Information – Pension Liability  
Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.



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**STATE OF IOWA**

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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 Members of the Central Iowa Juvenile Detention Center:

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 the Central Iowa Juvenile Detention Center as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, and have issued our report thereon dated February 24, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central Iowa Juvenile Detention Center's internal control over financial reporting to determine the 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 the Central Iowa Juvenile Detention Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Iowa Juvenile Detention Center's internal control.

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 a material misstatement of the Center'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 which 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Iowa Juvenile Detention Center'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 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 or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. 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.

### 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 Center'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 Center'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 the Central Iowa Juvenile Detention Center 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.

  
MARY MOSIMAN, CPA  
Auditor of State

February 24, 2017

Central Iowa Juvenile Detention Center

Schedule of Findings

June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

No matters were noted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Central Iowa Juvenile Detention Center

Schedule of Findings

June 30, 2016

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

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Center money for travel expenses of spouses of Center officials or employees were noted.
- (3) Center Minutes – No transactions were found that we believe should have been approved in the Center minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Center’s investment policy were noted.
- (5) Early Childhood Iowa Area Boards – The Center is the fiscal agent for Building Direction for Families, Early Childhood Iowa Area Board, 4RKids, Early Childhood Iowa Area Board and DHLW all formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of these Area Boards are not included in the Center’s financial statements.

No instances of non-compliance were noted as a result of the audit procedures performed.

Central Iowa Juvenile Detention Center

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Jenny R. Lawrence, Senior Auditor  
Malika Moutiq, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State