



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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**NEWS RELEASE**

FOR RELEASE

April 4, 2006

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 \$1,099,101 for the year ended June 30, 2005, a 12 percent decrease from 2004. The receipts included \$709,550 in detention care fees, \$300,250 from the state and \$17,695 in interest on investments. The significant decrease in receipts is due primarily to a reduction in service units provided.

Disbursements for the year totaled \$1,154,713, a 13 percent decrease from the prior year, and included \$701,070 for salaries and \$253,921 for employee benefits. The significant decrease in disbursements is due primarily to the payment of two years insurance in fiscal 2004 and a reduction in salary costs.

A copy of the audit report is available for review in the North Iowa Juvenile Detention Services Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**NORTH IOWA JUVENILE DETENTION  
SERVICES COMMISSION**

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

**JUNE 30, 2005**

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## North Iowa Juvenile Detention Services Commission

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ron Buch	Chair	Benton County
Steve Koencke	Vice Chair	Delaware 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
Sherry Mattke	Member	Chickasaw County
Robert Walke	Member	Clayton County
Donna Smith	Member	Dubuque County
John Bunn	Member	Fayette County
Arlin Enabnit	Member	Floyd County
Jerry Plagge	Member	Franklin County
James Ross	Member	Grundy County
Mary Jo Wilhelm	Member	Howard County
Ron Goeke	Member	Marshall County
Steve Bouska	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	
Luis Cox	Director	

**North Iowa Juvenile Detention Services Commission**



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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, 2005. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement 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 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, 2005, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2006 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 6 through 8 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 on it.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 24, 2006

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

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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, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### **2005 FINANCIAL HIGHLIGHTS**

- Operating receipts decreased 13%, or approximately \$158,000, from fiscal 2004 to fiscal 2005.
- Operating disbursements decreased 14%, or approximately \$178,000, from fiscal 2004 to fiscal 2005.
- Cash basis net assets decreased 10%, or approximately \$56,000, from June 30, 2004 to June 30, 2005.

### **USING THIS ANNUAL REPORT**

The Commission has elected to present its financial statement 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 this financial statement. 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 are intended to serve as an introduction to the financial statement. The annual report consists of 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 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 and disbursements includes interest on investments and principal and interest payments on the Commission's debt. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2005 and June 30, 2004 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2005	2004
Operating receipts:		
Detention care fees	\$ 709,550	878,380
Telephone support	13,850	20,544
State programs	300,250	298,639
Transportation service fees	30,908	20,838
Miscellaneous	26,848	21,029
Total operating receipts	1,081,406	1,239,430
Operating disbursements:		
Salaries	701,070	764,568
Payroll tax and IPERS	93,945	102,452
Health and life insurance	159,976	149,872
Food and clothing	30,599	50,827
Insurance	508	87,146
Other	92,009	100,938
Total operating disbursements	1,078,107	1,255,803
Excess (deficiency) of operating receipts over (under) operating disbursements	3,299	(16,373)
Non-operating receipts (disbursements):		
Interest on investments	17,695	3,846
Debt service	(76,606)	(77,518)
Total non-operating receipts (disbursements)	(58,911)	- (73,672)
Change in cash basis net assets	(55,612)	(90,045)
Cash basis net assets beginning of year	575,350	665,395
Cash basis net assets end of year	\$ 519,738	575,350

In fiscal 2005, operating receipts decreased by \$158,024, or 13%. The decrease was primarily a result of a decrease in charges for service of \$168,830 as a result of a reduction in service units provided to member and non-member counties.

In fiscal 2005, operating disbursements decreased by \$177,696, or 14%, from fiscal 2004. The decrease was primarily due to the payment of two years of insurance in the year ended June 30, 2004 and a decrease in salaries, payroll tax and IPERS resulting from not filling vacant positions for assistant director and three full-time residential counselors.

### **LONG-TERM DEBT**

At June 30, 2005, the Commission had \$338,029 remaining on the outstanding loan agreement to Black Hawk County for the building addition added in 1995. The agreement is payable over the next five 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 facilities due to the revenues earned when juveniles are placed in detention.

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 Luis Cox, Director of North Iowa Juvenile Detention Services Commission, 1440 W. Dunkerton Road, Waterloo, Iowa, 50703-5783.

## **Financial Statement**

**Exhibit A**

## North Iowa Juvenile Detention Services Commission

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

June 30, 2005

Operating receipts:	
Detention care fees	\$ 709,550
Telephone support	13,850
State programs	300,250
Transportation service fees	30,908
Miscellaneous	26,848
Total operating receipts	<u>1,081,406</u>
Operating disbursements:	
Salaries	701,070
Payroll tax and IPERS	93,945
Health and life insurance	159,976
Audit fees	3,305
Supplies	7,538
Equipment	7,043
Telephone	6,801
Resident health	9,041
Travel	4,893
Food and clothing	30,599
Repair and maintenance	9,255
Utilities	17,604
Insurance	508
Unemployment tax	458
Transportation	17,142
Miscellaneous	8,929
Total operating disbursements	<u>1,078,107</u>
Excess of operating receipts over operating disbursements	<u>3,299</u>
Non-operating receipts:	
Interest on investments	17,695
Debt service	(76,606)
Total non-operating receipts (disbursements)	<u>(58,911)</u>
Change in cash basis net assets	(55,612)
Cash basis net assets beginning of year	<u>575,350</u>
Cash basis net assets end of year	<u>\$ 519,738</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 519,738</u>

See notes to financial statement.

North Iowa Juvenile Detention Services Commission

Notes to Financial Statement

June 30, 2005

**(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 may be used to report any activity for which a fee is charged to external users for goods or services.

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. Accordingly, the financial statement does not present 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, 2005 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, 2005, the Commission utilized a sweep account that was invested in repurchase agreements backed by government securities.

*Interest rate and custodial credit risk.* The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Commission. The term of the repurchase transaction may not exceed 89 days under the terms of the repurchase agreement.

The Commission does not take direct possession of the underlying collateral. However, the Commission holds a perfected interest in the collateral pledged for its sweep account.

*Concentration of credit risk.* The Commission places a limit of \$1,000,000 that may be invested in any one issuer. The Commission's investment in the repurchase agreement totaled \$526,666 at June 30, 2005. Where possible, it is the Commission's policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer or a specific class of securities.

**(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, 2005 are as follows:

Due Date	Interest Rates	Principal	Interest	Total
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		\$ 338,029	54,177	392,206

During the year ended June 30, 2005, principal of \$56,338 and interest of \$20,268 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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$40,312, \$43,963 and \$42,793 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, 2005 was \$30,350. This liability has been computed based on rates of pay in effect at June 30, 2005.

**North Iowa Juvenile Detention Services Commission**



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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 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, 2005, and have issued our report thereon dated February 24, 2006. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the North Iowa Juvenile Detention Services Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Iowa Juvenile Detention Services Commission'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 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of the members 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

February 24, 2006

North Iowa Juvenile Detention Services Commission

Schedule of Findings

June 30, 2005

**Findings Related to the Financial Statement:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person in the Center opens the mail, records receipts, prepares deposits and reconciles the bank account.

Recommendation - We realize it is difficult to segregate duties with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Director should periodically review the bank reconciliations and reports. Such reviews should be evidenced by initials or signature of the reviewer and the date of the review.

Response - I complete this task when preparing for a board meeting, and I will continue to review this and now sign off on it monthly.

Conclusion - Response accepted.

**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, 2005.
- (2) 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.
- (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.

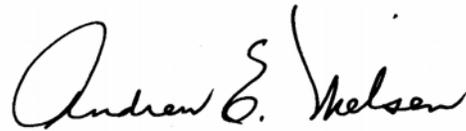
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North Iowa Juvenile Detention Services Commission

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
Jeffrey L. Lenhart, Staff 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