OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
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FOR RELEASE March 28, 2018

Auditor of State Mary Mosiman today released an audit report on the North Iowa Juvenile Detention Services Commission.

The Commission's receipts totaled $1,919,401 for the year ended June 30, 2017, a 13.3% increase over the prior year. The receipts included $466,451 of detention care fees, $237,737 from the state, $960,502 of adult crisis service fees, $113,718 of monitoring service fees, $105,694 of transportation service fees and $35,224 of miscellaneous receipts. The increase in receipts is a result of more adults and juveniles being housed in the Detention and Adult Crisis Centers.

Disbursements totaled $1,986,512 for the year ended June 30, 2017, a 22.4% increase over the prior year, and included $1,194,363 for salaries and $210,177 for employee health and life insurance. The increase in disbursements is due primarily to the increase in costs required to support the increased number of juveniles and adults housed in the Detention and Adult Crisis Centers.

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 https://auditor.iowa.gov/reports/1714-1502-B00F.

# # #

NORTH IOWA JUVENILE DETENTION SERVICES COMMISSION

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

JUNE 30, 2017

1714-1502-B00F

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North Iowa Juvenile Detention Services Commission

Officials

Name	Title	Representing
Frank Magsamen	Chair	Black Hawk County
Joel Voaklander	Vice Chair	Mitchell County
Rusty Eddy	Treasurer/Secretary	Butler County
Dan Byrnes	Member	Allamakee County
Ken Kammeyer	Member	Bremer County
Don Shonka	Member	Buchanan County
Casey Callanan	Member	Cerro Gordo County
Tim Zoll	Member	Chickasaw County
Ray Peterson	Member	Clayton County
Doug Dabroski	Member	Delaware County
Dave Baker	Member	Dubuque County
Jeanine Tellin	Member	Fayette County
James Ross	Member	Grundy County
Pat Murray	Member	Howard County
Floyd Ashbacher	Member	Winneshiek County
Mark Smeby	Member	Worth County
Martin Petersen	Member-at-large	Attorney
Greg Fangman	Member-at-large	Waterloo Police Dept.
Bob Amosson	Ex-Officio	
Luis Cox	Director	
Sam Hudson	Temporary Acting Director	

North Iowa Juvenile Detention Services Commission

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

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

Report on the Financial Statement

We have audited the accompanying financial statement of the North Iowa Juvenile Detention Services Commission as of and for the year ended June 30, 2017, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement 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 Commission'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 statement.

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

Opinion

In our opinion, the financial 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, 2017, 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 statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission 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 statement 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 March 8, 2018 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 in considering the North Iowa Juvenile Detention Services Commission's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 8, 2018

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, 2017. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- Operating receipts increased 13.3%, or approximately $225,000, from fiscal year 2016 to fiscal year 2017.

- Operating disbursements increased 22.4%, or approximately $363,000, from fiscal year 2016 to fiscal year 2017.

- The Commission's cash balance decreased 9.6%, or approximately $67,100, from June 30, 2016 to June 30, 2017.

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 is 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 Balance 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.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other Information further explains and supports the Commission's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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 cash 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 or decrease in the Commission's cash balance.

Operating receipts are received from sixteen 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 a final court ruling. Operating receipts are also received from twenty-two member and non-member counties for services provided to adults with mental health issues. Operating disbursements are disbursements paid to operate the Commission. Non-operating receipts include interest on investments. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2017 and June 30, 2016 is presented below:

Changes in Cash Balance		
	Year ended June 30,	
	2017	2016
Operating receipts:		
Detention care fees	$ 466,451	487,350
Monitoring service fees	113,718	146,460
Adult crisis service fees	960,502	764,738
State programs	237,737	223,061
Transportation service fees	105,694	65,541
Miscellaneous	35,224	6,907
Total operating receipts	1,919,326	1,694,057
Operating disbursements:		
Salaries	1,194,363	895,646
Payroll tax and IPERS	197,410	148,203
Health and life insurance	210,177	186,617
Repair and maintenance	119,526	108,697
Food and clothing	53,285	51,096
Insurance	44,147	38,371
Other	167,604	194,845
Total operating disbursements	1,986,512	1,623,475
Excess (deficiency) of operating receipts over (under) operating disbursements	(67,186)	70,582
Non-operating receipts:		
Interest on investments	75	100
Change in cash balance	(67,111)	70,682
Cash balance beginning of year	699,762	629,080
Cash balance end of year	$ 632,651	699,762

In fiscal year 2017, operating receipts increased $225,269, or 13.3%. The increase was primarily a result of an increase in the number of adults and juveniles housed in the Detention and Adult Crisis Centers in fiscal year 2017, the per diem rate at the Crisis Center increasing from $250 to $300 per day as of February 26, 2016 and a significant increase in transportation service fees. In fiscal year 2017, operating disbursements increased $363,037, or 22.4%, over fiscal year 2016 due to an increase in payroll and other expenses related to housing more juveniles and adults in crisis.

ECONOMIC FACTORS

The North Iowa Juvenile Detention Services Commission did not have a positive outcome for its financial position during the current fiscal year, but 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 and equipment require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Juvenile detention beds across the State of Iowa have decreased due to alternatives to detention, thus reducing receipts for multi-county Iowa Code Chapter 28E detention centers.
- The cost to house residents continues to increase due to multiple factors.
- Increased competition from other commissions.

The Commission 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, 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 Sam Hudson, Acting Director of the North Iowa Juvenile Detention Services Commission, 1440 W. Dunkerton Road, Waterloo, Iowa 50703-5783.

North Iowa Juvenile Detention Services Commission

Financial Statement

North Iowa Juvenile Detention Services Commission

North Iowa Juvenile Detention Services Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2017

Operating receipts:	
Detention care fees	$ 466,451
Monitoring services fees	113,718
Adult crisis services fees	960,502
State programs	237,737
Transportation service	105,694
Miscellaneous	35,224
Total operating receipts	1,919,326
Operating disbursements:	
Salaries	1,194,363
Payroll tax and IPERS	197,410
Health and life insurance	210,177
Audit fees	3,652
Supplies, non-office	18,183
Office equipment and supplies	13,387
Education and training	5,137
Telephone	5,706
Resident health	1,841
Travel	12,307
Food and clothing	53,285
Repair and maintenance	119,526
Utilities	25,443
Insurance	44,147
Unemployment tax	3,956
Vehicle	8,952
Transportation program	20,816
Monitoring program	21,206
Miscellaneous	27,018
Total operating disbursements	1,986,512
Deficiency of operating receipts under operating disbursements	(67,186)
Non-operating receipts:	
Interest on investments	75
Change in cash balance	(67,111)
Cash balance beginning of year	699,762
Cash balance end of year	$ 632,651
Cash Basis Fund Balance	
Unrestricted	$ 632,651

See notes to financial statement.

North Iowa Juvenile Detention Services Commission

(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, Bremer, Buchanan, Butler, Cerro Gordo, Chickasaw, Clayton, Delaware, Dubuque, Fayette, Grundy, Howard, Mitchell, Winneshiek and Worth, Iowa as authorized by 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. In 2012, the facility opened the Adult Crisis Stabilization Center to provide immediate shelter, support and care for those experiencing a situational crisis.

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 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 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, 2017 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 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.

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

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission 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.

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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2017 were $106,656.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Commission reported a liability of $785,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Commission's proportion was 0.012481%, which was an increase of 0.001169% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission's pension expense, deferred outflows of resources and deferred inflows of resources totaled $93,156, $228,021 and $106,570, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2016 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 arithmetic 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private quity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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 Commission 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 Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension liability	$ 1,270,729	785,436	375,842

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.

(4) 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, 2017 was $78,000. This liability has been computed based on rates of pay in effect at June 30, 2017.

(5) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2017 were $24,602.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $2,000,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Other Information

North Iowa Juvenile Detention Services Commission

North Iowa Juvenile Detention Services Commission

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

Iowa Public Employees' Retirement System
For the Last Three Years*

Other Information

	2017	2016	2015
Commision's proportion of the net pension liability	0.012481%	0.011312%	0.011859%
Commission's proportionate share of the net pension liability	$ 785,436	558,880	470,318
Commission's covered-employee payroll	$ 895,646	785,786	776,003
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	71.12%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	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.

North Iowa Juvenile Detention Services Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2017	2016	2015	2014
Statutorily required contribution	$ 106,656	79,981	70,171	69,297
Contributions in relation to the statutorily required contribution	(106,656)	(79,981)	(70,171)	(69,297)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered-employee payroll	$1,194,363	895,646	785,786	776,003
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
60,011	45,970	40,103	38,985	40,100	39,037
(60,011)	(45,970)	(40,103)	(38,985)	(40,100)	(39,037)
-	-	-	-	-	-
692,162	569,639	577,029	586,240	631,496	645,239
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

<u>*Changes of benefit terms*</u>:

Legislation enacted 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.

<u>*Changes of assumptions*</u>:

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

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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 a Financial Statement Performed in Accordance with
Government Auditing Standards

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

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 statement of the North Iowa Juvenile Detention Services Commission as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, and have issued our report thereon dated March 8, 2018. Our report expressed an unmodified opinion on the financial statement which was 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 statement, we considered the North Iowa Juvenile Detention Services Commission'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the North Iowa Juvenile Detention Services Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Iowa Juvenile Detention Services Commission'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 North Iowa Juvenile Detention Services Commission's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

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, 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. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2017 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.

The North Iowa Juvenile Detention Services Commission's Responses to the Findings

The North Iowa Juvenile Detention Services Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The North Iowa Juvenile Detention Services Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission'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 Commission'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 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 8, 2018

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(A) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances monthly. This reconciliation should be reviewed by an independent person.

Condition – One of twelve bank reconciliations tested did not have evidence of review by an independent person. Seven of eleven bank reconciliations that had evidence of review were not dated to allow a determination of whether or not the review was timely.

Cause – Procedures have not been established to ensure bank reconciliations are independently reviewed on a regular basis.

Effect – Lack of timely review of bank reconciliations by an independent person could result in undetected errors or unauthorized activity.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be prepared and variances between book and bank balances should be investigated and resolved timely. The bank reconciliation should be reviewed by an independent person and review should be documented by the initials or signature of the reviewer and the date of the review.

Response – We will have an administrator reconcile the banking account then date and initial it. Another administrator will review, initial and date the reconciliation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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) Business Transactions – No business transactions between the Commission and Commission officials or employees 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. Commission minutes for one meeting reviewed were not signed.

Recommendation – All minutes should be signed in a timely manner to accurately reflect activity at commission meetings.

Response – NIJDS will ensure minutes are signed by the Commission Chair and the Commission Secretary/Treasurer.

Conclusion – Response accepted.

(5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

(6) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission retains electronic images of the front, but not the back, of cancelled checks.

Recommendation – The Commission should retain an image of both the front and back of each cancelled check as required.

Response – We now receive the images of both front and back of each cancelled check.

Conclusion – Response accepted.

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Kelly L. Hilton, Senior Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State