OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE March 29, 2018

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 $9,823,288 for the year ended June 30, 2017, a 13.5% increase over the prior year. The receipts included $1,982,775 in detention care fees, $695,337 in state program receipts, $4,540,251 from child welfare service fees, $107,806 in juvenile justice receipts and $2,309,618 in building loan and line of credit proceeds.

Disbursements totaled $9,767,225 for the year ended June 30, 2017, a 14.8% increase over the prior year, and included $3,595,896 for salaries, $490,323 for travel and $1,986,505 for construction in progress disbursements.

The increase in receipts and disbursements is due primarily to an increase in building loan and line of credit proceeds and an increase in construction in progress disbursements over 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/1714-2341-B00F.

# # #

CENTRAL IOWA JUVENILE DETENTION CENTER

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

JUNE 30, 2017

1714-2341-B00F

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Central Iowa Juvenile Detention Center

Officials

Name	Title	Representing
Dave Thompson	Chair	Marshall County
Trevor White	1st Vice-Chair	Poweshiek County
Lance Granzow	2nd Vice-Chair	Hardin County
Dan Campidilli	Ex-Officio	Hamilton County
Mark Waits	Member	Appanoose County
Rick Primmer	Member	Benton County
Bill Zinnel	Member	Boone County
Paul Merten	Member	Buena Vista County
Mike Cooper	Member	Calhoun County
Cecil Blum	Member	Crawford County
Dave Baker	Member	Dubuque County
Jeff Quastad	Member	Emmet County
Doug Kamm	Member	Floyd County
Gary McVicker	Member	Franklin County
Peter Bardole	Member	Greene County
Ron Sweers	Member	Hancock County
Bruce Reimers	Member	Humboldt County
John Gahring	Member	Iowa County
Doug Cupples	Member	Jasper County
Roger Tjarks	Member	Kossuth County
Larry Davis	Member	Lucas County
Mark Doland	Member	Mahaska County
Roger Faulstick	Member	Palo Alto County
Martin Chitty	Member	Story County
Larry Vest	Member	Tama County
Bob Thode	Member	Webster County
Mike Stensrud	Member	Winnebago County
Mark Smeby	Member	Worth 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, 2017, 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, 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 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 25 through 28 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 March 22, 2018 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

MARY MOSIMAN, CPA
Auditor of State

March 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 2.5%, or $188,853, from fiscal year 2016 to fiscal year 2017.
- Operating disbursements increased 0.4%, or $28,951, from fiscal year 2016 to fiscal year 2017.
- The Center's cash balance increased 30.6%, or $56,063, from June 30, 2016 to June 30, 2017.

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, 2017 and June 30, 2016 is as follows:

Changes in Cash Balance

	Year ended June 30,	
	2017	2016
Operating receipts:		
Detention care fees	$ 1,982,775	1,720,256
State programs	695,337	770,483
Child welfare service fees	4,540,251	4,868,024
Juvenile justice	107,806	105,590
Miscellaneous	186,651	237,320
Total operating receipts	7,512,820	7,701,673
Operating disbursements:		
Salaries	3,595,896	3,407,979
Employee benefits	1,275,904	1,231,366
Travel	490,323	465,496
Resident meals	105,785	111,233
Building repairs	61,002	53,388
Utilities	65,550	71,380
Equipment	33,323	7,648
Vehicle purchase	197,127	89,666
Vehicle maintenance	104,533	82,907
Professional fees	97,377	105,306
Insurance	95,348	86,296
Supplies	113,396	190,268
Medical	186,781	125,417
Staff development	8,186	16,999
Information services	60,269	59,526
Community based services	551,244	908,218
Total operating disbursements	7,042,044	7,013,093
Excess of operating receipts over operating disbursements	470,776	688,580
Non-operating receipts (disbursements):		
Interest on investments	850	345
Building loan proceeds	1,657,568	-
Line of credit proceeds	652,050	950,000
Construction in progress	(1,986,505)	(34,500)
Debt service	(738,676)	(1,459,822)
Net non-operating receipts (disbursements)	(414,713)	(543,977)
Change in cash balance	56,063	144,603
Cash balance beginning of year	183,330	38,727
Cash balance end of year	$ 239,393	183,330

In fiscal year 2017, operating receipts decreased $188,853 to $7,512,820. In fiscal year 2017, operating disbursements increased $28,951 to $7,042,043.

ADMINISTRATION DEBT

During the year ended June 30, 2017, the Center received line of credit proceeds of $652,050 and $1,657,568 of building loan proceeds used for the construction of an addition to the Center. The line of credit proceeds were used to pay operating expenses. At June 30, 2017, $1,558,190 was outstanding on the building loan and $400,005 was outstanding on the line of credit.

ECONOMIC FACTORS

The cash balance 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 is nearing completion of the building expansion project.

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.

Central Iowa Juvenile Detention Center

Financial Statements

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, 2017

Operating receipts:		
Detention care fees		$ 1,982,775
State programs:		
Detention care	$ 631,526	
School lunch	63,811	695,337
Child welfare service fees		4,540,251
Juvenile justice		107,806
Miscellaneous		186,651
Total operating receipts		7,512,820
Operating disbursements:		
Salaries:		
Detention care	1,883,206	
Community based services	1,712,690	3,595,896
Employee benefits:		
Detention care	778,986	
Community based services	496,918	1,275,904
Travel:		
Detention care	58,190	
Community based services	432,133	490,323
Resident meals		105,785
Building repairs		61,002
Utilities		65,550
Equipment		33,323
Vehicle purchase		197,127
Vehicle maintenance		104,533
Professional fees		97,377
Insurance		95,348
Supplies		113,396
Medical		186,781
Staff development		8,186
Information services		60,269
Community based services		551,244
Total operating disbursements		7,042,044
Excess of operating receipts over operating disbursements		470,776
Non-operating receipts (disbursements):		
Interest on investments		850
Building loan proceeds		1,657,568
Other line of credit proceeds		652,050
Construction in progress		(1,986,505)
Debt service:		
Principal	(726,723)	
Interest	(11,953)	(738,676)
Net non-operating receipts (disbursements)		(414,713)
Change in cash balance		56,063
Cash balance beginning of year		183,330
Cash balance end of year		$ 239,393
Cash Basis Fund Balance		
Unrestricted		$ 239,393

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, 2017

	Central Iowa Recovery
Receipts:	
Intensive psychiatric rehabilitation	$ 364,000
Interest	13
Total	364,013
Disbursements:	
Intensive psychiatric rehabilitation	365,569
Excess of receipts over disbursements	(1,556)
Cash balance beginning of year	1,556
Cash balance end of year	$ -

See notes to financial statement.

(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, Crawford, Dubuque, Emmet, Floyd, Franklin, Greene, Hamilton, Hancock, Hardin, Humboldt, Iowa, Jasper, Kossuth, Lucas, Mahaska, Marshall, Palo Alto, Poweshiek, Story, Tama, Webster, Winnebago, Worth 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. As of November 1, 2016, the Center no longer acted as fiscal agent for Central Iowa Recovery.

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, 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 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, 2017 is as follows:

	Line of Credit	Building Loan	Total
Balance beginning of year	$ 375,300	-	375,300
Increases	652,050	1,657,568	2,309,618
Decreases	627,345	99,378	726,723
Balance end of year	$ 400,005	1,558,190	1,958,195
Interest paid during the year	$ 7,591	4,362	11,953

Line of Credit

On June 21, 2013, the Center entered into a line of credit agreement 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 2017, the outstanding balance did not exceed the $500,000 maximum. In fiscal year 2017, $120,000 was drawn on the line of credit and on September 13, 2016, $414,300 was repaid with a remaining balance of $81,000.

On September 13, 2016, the Center entered into a loan agreement with a local bank to borrow up to $750,000 for the payment of operating expenses. The loan agreement is evidence by a promissory note, with a maturity date of September 10, 2017 and a variable interest rate equal to the Bank Prime Loan Rate as published in the Federal Reserve Statistical Bulletin (the Index). The variable interest rate is not to be less than 4.0% per annum or more than the lesser of 6.5% per annum or the maximum rate allowed by applicable law. Funds were drawn to pay the remaining balance of $81,000 on the 2013 line of credit and additional operating expenses. The line of credit is to be paid when funds are received from operations. In fiscal year 2017, $532,050 was drawn on the loan agreement and $213,045 was repaid. As of June 30, 2017, the outstanding balance was $400,005. On December 8, 2017, the loan agreement was extended to September 1, 2018 with an interest rate of 4.75% per annum until maturity.

Construction and Building Loans

On November 30, 2016, the Center entered into a loan agreement with a local bank to borrow up to $2,000,000 for the payment of construction expenses. The loan agreement is evidenced by a promissory note, with a maturity date of September 3, 2017 and a variable interest rate subject to the bank prime loan rate as published in the Federal Reserve Statistical Bulletin (the Index). The variable interest rate is not to be less than 4.0% per annum or more than the lesser of 5.5% per annum or the maximum rate allowed by applicable law. Funds were drawn to pay construction expenses and are to be paid when funds are received from operations. In fiscal year 2017, $1,657,568 was drawn on the building loan and $99,378 was repaid.

On September 3, 2017, the outstanding balance of the loan was $1,900,621. The Center entered into a new loan agreement for $1,900,621 with a maturity date of October 20, 2037. The initial interest rate on the loan is 4.0% for the first 5 years and thereafter a variable interest rate subject to the monthly average of the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year rounded to the nearest 0.001 (the Index). The variable interest rate is not to be less than 4.0% per annum or more than the lesser of 9.0% per annum or the maximum rate allowed by applicable law.

According to the loan agreements, both loans are secured by real estate collateral belonging to the Center.

(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.

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 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, 2017 totaled $313,035.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Center reported a liability of its proportionate share of the collective net pension liability of $2,893,531. 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 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, 2016, the Center's proportion was 0.045978%, which was an increase of 0.005422% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Center's pension expense, deferred outflows of resources and deferred inflows of resources totaled $343,186, $840,023 and $392,600, respectively.

There were no non-employer contributing entities to IPERS.

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, as follows:

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 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/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 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% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$4,681,341	2,893,531	1,384,595

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.

(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 44 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 $391 for single coverage and $1,199 for family coverage. For the year ended June 30, 2017, the Center contributed $227,068 and plan members eligible for benefits contributed $133,791 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, 2017 is $244,000. This liability has been computed based on rates of pay in effect at June 30, 2017.

(8) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

(9) 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, 2017 is as follows:

Building Direction for Families

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 94,205	-	94,205
Family support and parent education	-	254,928	254,928
Preschool support for low-income families	-	106,458	106,458
Quality improvement	-	52,694	52,694
Allocation for administration	4,958	13,982	18,940
Other grant programs	-	20,842	20,842
Total state grants	99,163	448,904	548,067
Interest on investments	66	266	332
Total revenues	99,229	449,170	548,399
Expenditures:			
Program services:			
Early childhood	92,804	-	92,804
Family support and parent education	-	251,930	251,930
Preschool support for low income families	-	101,597	101,597
Quality improvement	-	52,694	52,694
Other program services	-	16,933	16,933
Total program services	92,804	423,154	515,958
Administration	4,958	13,945	18,903
Total expenditures	97,762	437,099	534,861
Change in fund balance	1,467	12,071	13,538
Fund balance beginning of year	11,565	15,048	26,613
Fund balance end of year	$ 13,032	27,119	40,151

4RKids

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 104,248	-	104,248
Family support and parent education	-	513,817	513,817
Preschool support for low-income families	-	225,603	225,603
Quality improvement	-	77,888	77,888
Allocation for administration	5,563	27,667	33,230
Other grant programs	-	55,865	55,865
Total state grants	109,811	900,840	1,010,651
Interest on investments	69	625	694
Total revenues	109,880	901,465	1,011,345
Expenditures:			
Program services:			
Early childhood	104,322	-	104,322
Family support and parent education	-	514,868	514,868
Preschool support for low income families	-	227,303	227,303
Quality improvement	-	72,087	72,087
Other program services	-	45,640	45,640
Total program services	104,322	859,898	964,220
Administration	5,589	28,721	34,310
Total expenditures	109,911	888,619	998,530
Change in fund balance	(31)	12,846	12,815
Fund balance beginning of year	859	51,057	51,916
Fund balance end of year	$ 828	63,903	64,731

DHLW

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 192,385	-	192,385
Family support and parent education	-	443,029	443,029
Preschool support for low-income families	-	165,582	165,582
Quality improvement	-	63,378	63,378
Allocation for administration	10,126	23,153	33,279
Other grant programs	-	48,258	48,258
Total state grants	202,511	743,400	945,911
Interest on investments	181	642	823
Total revenues	202,692	744,042	946,734
Expenditures:			
Program services:			
Early childhood	182,034	-	182,034
Family support and parent education	-	422,679	422,679
Preschool support for low income families	-	157,216	157,216
Quality improvement	-	68,789	68,789
Other program services	-	62,645	62,645
Total program services	182,034	711,329	893,363
Administration	10,732	22,094	32,826
Total expenditures	192,766	733,423	926,189
Change in fund balance	9,926	10,619	20,545
Fund balance beginning of year	10,138	95,442	105,580
Fund balance end of year	$ 20,064	106,061	126,125

Central Iowa Juvenile Detention Center

Other Information

Central Iowa Juvenile Detention Center

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 Three Years*
(In Thousands)

Other Information

		2017	2016	2015
Center's proportion of the net pension liability		0.045978%	0.040556%	0.038800%
Center's proportionate share of the net pension liability	$	2,894	2,004	1,539
Center's covered-employee payroll	$	3,299	2,778	2,531
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll		87.72%	72.14%	60.81%
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.

Central Iowa Juvenile Detention Center

Schedule of Center Contributions

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

Other Information

		2017	2016	2015	2014
Statutorily required contribution	$	313	295	248	226
Contributions in relation to the statutorily required contribution		(313)	(295)	(248)	(226)
Contribution deficiency (excess)	$	-	-	-	-
Center's covered-employee payroll	$	3,505	3,299	2,778	2,531
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
141	170	114	82	75	65
(141)	(170)	(114)	(82)	(75)	(65)
-	-	-	-	-	-
1,626	2,107	1,640	1,233	1,181	1,074
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

Changes of benefit terms:

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.

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 (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 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, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated March 22, 2018. 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. 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 Center's operations for the year ended June 30, 2017 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

MARY MOSIMAN, CPA
Auditor of State

March 22, 2018

Central Iowa Juvenile Detention Center

Schedule of Findings

June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCE 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) 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) Pledged Government Assets – The Central Iowa Juvenile Detention Center (CIJDC) is operating under the authority of Chapter 28E of the Code of Iowa and serves as a government body of the State of Iowa. In November 2016, the Center authorized a $2,000,000 construction loan, as evidenced by a nine month promissory note for the construction of an addition to the Center. In September 2017, the Center authorized a subsequent building loan agreement, with a maturity date of October 20, 2037, in the amount of $1,900,621 for the outstanding balance of the original construction loan. According to the loan agreements, both loans are secured by real estate collateral belonging to the Center.

We are not aware of a statute that would grant the authority of a 28E entity to pledge government assets. In addition, neither agreement was approved by the Commission or documented in the minute records.

Recommendation – The Center should consult legal counsel to determine the legality of the loan agreements and disposition of this matter. Also, in the future, the Center should document the approval of debt issuances by the Commission in the Commission minutes.

Response – The Center has consulted with legal counsel twice in the past for promissory notes for building projects. CIJDC will further research from our previous legal advice in regards to the above statement from the Auditor of State. If additional action is deemed necessary, CIJDC will add this to our next commission meeting agenda to discuss and proceed as the Commission deems appropriate. CIJDC will have all loans, current and future, approved and documented in Commission minutes.

Conclusion – Response accepted.

(6) 28E Agreement – The Central Iowa Juvenile Detention Center is operating under the authority of Chapter 28E of the Code of Iowa as evidenced by an approved 28E agreement filed with the Iowa Secretary of State. The 28E agreement forms a separate legal entity governed by a Commission made up of representatives from member County governments.

The 28E agreement includes language referencing the Central Iowa Juvenile Detention Center as a separate corporation and also states the powers of the Commission will include performing "any acts and things authorized by Iowa Code Chapter 28E, as amended and by this agreement". In accordance with Chapter 28E.7, no agreement made pursuant to this chapter shall relieve any public agency of any obligation or responsibility imposed upon it by law.

Recommendation – The Center should consult legal counsel to determine the legality of the 28E agreement, in particular, to extend the powers of the Commission beyond those stipulated in Iowa Code Chapter 28E and to create a separate corporate entity.

Response – CIJDC did consult with legal counsel for the last substantial revision of this 28E. CIJDC will further research this issue and if additional action is necessary, it will be added to the agenda of our Commission meeting to discuss further consultation for legal advice.

Conclusion – Response accepted.

(7) 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 except for the following:

Building Direction for Families – The annual financial report submitted to the Iowa Department of Management for fiscal year 2017 did not reconcile to the Area Board's financial activity. Fiscal year 2017 revenues on the annual financial report were understated by $17,477.

Recommendation – The fiscal year 2017 annual financial report should be corrected, properly approved and resubmitted to the Iowa Department of Management.

Response – We will work with the Director and the Area Board to correct this issue.

Conclusion – Response accepted.

Central Iowa Juvenile Detention Center

Staff

This audit was performed by:

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Ashley J. Moser, Senior Auditor
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