

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

(D/B/A NORTHWEST IOWA YOUTH EMERGENCY SERVICES CENTER)

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2006 AND 2005

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NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ken Chalstrom	Chairperson	Clay County
Joe Cronin	Vice-Chairperson	Ida County
Jack Bensley	Member	Sac County
Craig Block	Member	Lyon County
Loren Bouma	Member	Sioux County
Ralph Christiansen	Member	Pocahontas County
Mardi Allen	Member	Dickinson County
Jim Jenson	Member	Emmet County
Eugene Meiners	Member	Carroll County
Dan Struve	Member	O'Brien County
Dan Muhlbauer	Member	Crawford County
Dick Vail	Member	Buena Vista County
John Schneider	Member	Plymouth County
Ronald Wetherell	Member	Cherokee County
Cheryl McGrory	Director	
Karla Lundy	Assistant Director	

HUNZELMAN, PUTZIER & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
info@hpcocpa.com

Independent Auditor's Report

To the Board of Directors of the Northwest Iowa
Multicounty Regional Juvenile Detention Center:

We have audited the accompanying balance sheets of Northwest Iowa Multicounty Regional Juvenile Detention Center as of and for the years ended June 30, 2006 and 2005, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Multicounty Regional Juvenile Detention Center as of June 30, 2006 and 2005, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2006, on our consideration of Northwest Iowa Multicounty Regional Juvenile Detention Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

September 15, 2006

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Multicounty Regional Juvenile Detention Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Center's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Center's operating revenues increased 71%, or \$369,493, from fiscal 2005 to fiscal 2006.

The Center's operating expenses were 55.5%, or \$273,218, more in fiscal 2006 than in fiscal 2005.

The Center's net assets increased 44.4%, or \$130,447, from June 30, 2005, to June 30, 2006.

USING THIS ANNUAL REPORT

Northwest Iowa Multicounty Regional Juvenile Detention Center is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Multicounty Regional Juvenile Detention Center's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Center's financial activities.

The Balance Sheet presents information on the Center's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Operations and Changes in Net Assets presents information on the Center's operating revenues and expenses, non-operating revenues and expenses, and whether the Center's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Center's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Center financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE CENTER

Condensed Balance Sheet

As noted earlier, net assets may serve over time as a useful indicator of the Center's financial position. The Center's net assets for fiscal 2006 totaled approximately \$424,000. This compares to approximately \$294,000 for fiscal 2005. A summary of the Center's net assets is presented below.

	<u>Net Assets</u>	
	<u>June 30,</u> <u>2006</u>	<u>2005</u>
Current assets	\$452,122	\$279,455
Property and equipment, less accumulated depreciation	<u>28,875</u>	<u>36,125</u>
Total assets	<u>480,997</u>	<u>315,580</u>
Current liabilities	<u>56,622</u>	<u>21,652</u>
Net assets:		
Invested in capital assets	28,875	36,125
Unrestricted	<u>395,500</u>	<u>257,803</u>
Total net assets	<u>\$424,375</u>	<u>\$293,928</u>

The invested in capital assets (7%, e.g., buildings and equipment) are resources allocated to capital assets. The remaining net assets (93%) are the unrestricted net assets that can be used to meet the Center's obligations as they come due.

Condensed Statement of Operations and Changes in Net Assets

Operating revenues are received for services provided juveniles who await court disposition. The Center provides a physically secure, emotionally stable and safe environment for these individuals until final court ruling. Operating expenses are expenses paid to operate the Center. Non-operating revenues and expenses are for interest income and the loss on disposal of assets. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the year ended June 30, 2006 and 2005, is presented below:

	<u>Changes in Net Assets</u>	
	<u>Year Ended June 30,</u> <u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Detention care fees	\$497,950	\$ 375,769
Tracking service fees	250,976	-
State allocation	127,275	129,484
State programs	10,811	9,950
Other operating revenues	<u>3,070</u>	<u>5,386</u>
Total operating revenues	<u>890,082</u>	<u>520,589</u>
<u>OPERATING EXPENSES</u>		
Salaries and benefits	631,056	396,986
Meals and food	26,558	20,368
Insurance	28,872	27,215
Depreciation and amortization	7,250	7,051
Other	<u>71,847</u>	<u>40,745</u>
Total operating expenses	<u>765,583</u>	<u>492,365</u>
Operating income	<u>124,499</u>	<u>28,224</u>

FINANCIAL ANALYSIS OF THE CENTER - (Continued)

Condensed Statement of Operations and Changes in Net Assets - (Continued)

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on investments	\$ 4,648	1,970
Loss on disposal of assets	-	(1,281)
Miscellaneous	1,300	-
Net nonoperating revenues	<u>5,948</u>	<u>689</u>
Increase in net assets before unusual item	130,447	28,913
<u>UNUSUAL ITEM</u>		
Insurance settlement, net of related expenses	<u>-</u>	<u>16,508</u>
Change in net assets	130,447	45,421
Net assets beginning of year	<u>293,928</u>	<u>248,507</u>
Net assets end of year	<u>\$424,375</u>	<u>\$293,928</u>

The Statement of Operations and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2006, operating revenues increased by \$369,493, or 71%, primarily as a result of the initiation of the tracking and monitoring program, and an unprecedented increase in client immurements.

Operating expenses increased by \$273,218, or 55.8%, due to an increase in the cost of staff insurance, increase in client immurements, and costs of the tracking program.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes County fees and the State allocation reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2006, the Center had approximately \$29,000 invested in capital assets, net of accumulated depreciation of approximately \$116,000. Depreciation charges totaled \$7,250 and \$7,051 for fiscal years 2006 and 2005, respectively. More detailed information about the Center's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

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

Facilities at the Center require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up-to-date technology at a reasonable cost.

ECONOMIC FACTORS - (Continued)

The Center anticipates the current fiscal year will show a significant increase in receipts collected due to a full year of implementation of the tracking and monitoring program. There was an increase in expenditures for the Center due to tracking and monitoring program disbursements resulting from initial technology and set-up costs, with salaries and expenditures paid for tracking, monitoring, and outreach services for juveniles, which went into effect on July 1, 2005.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If there are questions about this report or additional financial information is needed, contact Northwest Iowa Multicounty Regional Juvenile Detention Center, 1231 W. Cedar Loop, Suite #110, Cherokee, Iowa.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

BALANCE SHEETS

JUNE 30, 2006 AND 2005

Exhibit A

	<u>2006</u>	<u>2005</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 207,111	\$ 97,385
Due from other governments	224,927	166,084
Prepaid insurance	<u>20,084</u>	<u>15,986</u>
Total current assets	<u>452,122</u>	<u>279,455</u>
 <u>CAPITAL ASSETS (Note 4):</u>		
Leasehold improvements	100,084	100,084
Equipment	<u>44,473</u>	<u>44,473</u>
	144,557	144,557
Accumulated amortization and depreciation	<u>(115,682)</u>	<u>(108,432)</u>
Net property and equipment	<u>28,875</u>	<u>36,125</u>
 Total assets	 <u>\$ 480,997</u>	 <u>\$ 315,580</u>
 <u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,533	\$ 8,739
Salaries and benefits payable	21,349	-
Payroll taxes payable	3,106	-
Compensated absences	<u>23,634</u>	<u>12,913</u>
Total current liabilities	<u>56,622</u>	<u>21,652</u>
 <u>NET ASSETS</u>		
Invested in capital assets	28,875	36,125
Unrestricted	<u>395,500</u>	<u>257,803</u>
Total net assets	<u>424,375</u>	<u>293,928</u>
 Total liabilities and net assets	 <u>\$ 480,997</u>	 <u>\$ 315,580</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Exhibit B

	<u>2006</u>	<u>2005</u>
<u>OPERATING REVENUES</u>		
Detention care fees	\$497,950	\$375,769
Tracking service fees	250,976	-
State allocation	127,275	129,484
State programs	10,811	9,950
Other operating revenues	<u>3,070</u>	<u>5,386</u>
Total operating revenues	<u>890,082</u>	<u>520,589</u>
<u>OPERATING EXPENSES</u>		
Salaries	496,957	315,827
FICA and IPERS	61,296	43,888
Unemployment insurance	5,497	2,665
Health insurance	67,306	34,606
Meals and food	26,558	20,368
Treatment and health supplies	2,757	3,979
Clothing	1,950	3,525
Travel	21,805	1,056
Training	608	259
Office supplies	7,785	5,514
Postage	1,931	1,575
Telephone	12,808	5,070
Utilities	8,499	6,264
Insurance	28,872	27,215
Legal fees	-	3,448
Audit fees	3,300	3,141
Accounting services	8,242	2,880
Miscellaneous	71	-
Repairs and maintenance	2,091	4,034
Depreciation and amortization	<u>7,250</u>	<u>7,051</u>
Total operating expenses	<u>765,583</u>	<u>492,365</u>
Operating income	<u>124,499</u>	<u>28,224</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest on investments	4,648	1,970
Loss on disposal of assets	-	(1,281)
Miscellaneous	<u>1,300</u>	<u>-</u>
Net nonoperating revenues	<u>5,948</u>	<u>689</u>
Changes in net assets before unusual item	130,447	28,913
<u>UNUSUAL ITEM</u>		
Legal settlement, net of related expenses	<u>-</u>	<u>16,508</u>
Change in net assets	130,447	45,421
Net assets beginning of year	<u>293,928</u>	<u>248,507</u>
Net assets end of year	<u>\$424,375</u>	<u>\$293,928</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Exhibit C

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from members/others	\$ 484,768	\$ 427,145
Cash received from State	346,471	134,853
Cash payments to employees for services	(464,887)	(328,833)
Cash payments to suppliers for goods and services	<u>(259,572)</u>	<u>(173,337)</u>
Net cash provided by operating activities	<u>106,780</u>	<u>59,828</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	<u>(3,002)</u>	<u>(18,256)</u>
Net cash used in capital and related financing activities	<u>(3,002)</u>	<u>(18,256)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash received from other sources	<u>1,300</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	<u>4,648</u>	<u>1,970</u>
Net cash provided by investing activities	<u>4,648</u>	<u>1,970</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:</u>		
	109,726	43,542
Cash and cash equivalents at beginning of year	<u>97,385</u>	<u>53,843</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 207,111</u>	<u>\$ 97,385</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	<u>\$ 124,499</u>	<u>\$ 28,224</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,250	7,051
Unusual item	-	16,508
Changes in assets and liabilities:		
Decrease (increase) in due from other governments	(58,843)	22,311
Increase in prepaid insurance	(4,098)	(1,783)
Increase in accounts payable	2,796	523
Increase (decrease) in salaries and benefits payable	21,349	(12,436)
Increase in payroll taxes payable	3,106	-
Increase (decrease) in compensated absences	<u>10,721</u>	<u>(570)</u>
Total adjustments	<u>(17,719)</u>	<u>31,604</u>
Net cash provided by operating activities	<u>\$ 106,780</u>	<u>\$ 59,828</u>

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. Summary of Significant Accounting Policies

Northwest Iowa Multicounty Regional Juvenile Detention Center (d/b/a Northwest Iowa Youth Emergency Services Center) was formed in 1989 by eleven northwest Iowa member counties pursuant to the provisions of Chapter 28E of the Code of Iowa. Three additional counties subsequently joined the organization. The Center provides detention and shelter care of juveniles.

Northwest Iowa Multicounty Regional Juvenile Detention Center is governed by a Board comprised of one representative from each of the following member counties: Cherokee, Plymouth, Ida, Buena Vista, Carroll, O'Brien, Sioux, Lyon, Pocahontas, Sac, Dickinson, Clay, Emmet, and Crawford.

The Center's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Multicounty Regional 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. Northwest Iowa Multicounty Regional Juvenile Detention Center has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Northwest Iowa Multicounty Regional Juvenile Detention Center are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Center applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

The Center distinguishes operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Center's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets and Liabilities

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Center considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over fifteen years and equipment is depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and compensatory time off hours for subsequent use or for payment upon termination, death, or retirement. The Center's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2006 and 2005.

2. Cash and Investments

The Center's deposits in banks at June 30, 2006 and 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure 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 Auditing Standards Board Statement Number 40.

Interest rate risk - The Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Center.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

3. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Center is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$26,395, \$18,730, and \$17,716, respectively, equal to the required contributions for each year.

4. Capital Assets

A summary of capital assets and accumulated depreciation for the years ended June 30, 2006 and 2005, is as follows:

	Balance June 30, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Leasehold improvements	\$ 100,084	\$ -	\$ -	\$100,084
Equipment	<u>44,473</u>	<u>-</u>	<u>-</u>	<u>44,473</u>
	144,557	<u>\$ -</u>	<u>\$ -</u>	144,557
Less amortization and depreciation	<u>108,432</u>	<u>\$ 7,250</u>	<u>\$ -</u>	<u>115,682</u>
Total	<u>\$ 36,125</u>			<u>\$ 28,875</u>

5. Rent Obligations

The Center occupies a portion of a building leased from the Iowa Department of Human Services in Cherokee, Iowa. The lease cost is \$1 per year plus a portion of the utilities and telephone. The terms are subject to renegotiation annually.

6. Operating Lease

The Center leases a copy machine. Rental expense incurred for this lease was \$1,085 for the year ended June 30, 2006. Minimum amounts payable under this operating lease are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2007	\$1,085

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINACIAL STATEMENTS
JUNE 30, 2006 AND 2005

7. Related Party Transactions

Total charges for services during the years ended June 30, 2006 and 2005, were \$497,950 and \$375,769, respectively. The member counties were billed \$150 per diem for juvenile detention services provided. Non-member counties were billed \$175 per diem for juvenile detention services provided.

8. 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Center assumes liability for any deductibles and claims in excess of coverage limitations.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

10. Unusual Item

During the fiscal year ending June 30, 2005, the Center received an insurance settlement in connection with illegal acts performed by the prior Center director. The gross amount of the settlement was \$25,000 and the Center received \$16,508 after deducting expenses associated with this in the amount of \$8,492.

11. Gain Contingency

A former director of the Center was directed to make restitution, however, because no estimate can be made of the amount that will actually be received, the Center will not recognize any amount in the financial statements until it is received.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
info@hpcocpa.com

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 Governmental Auditing Standards

To the Members of Northwest Iowa
Multicounty Regional Juvenile Detention Center:

We have audited the accompanying financial statements of Northwest Iowa Multicounty Regional Juvenile Detention Center as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Iowa Multicounty Regional Juvenile Detention Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Northwest Iowa Multicounty Regional Juvenile Detention Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Multicounty Regional 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2006, 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.

This report, a public record by law, is intended solely for the information and use of the members and customers of Northwest Iowa Multicounty Regional Juvenile Detention Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and the assistance extended to us by personnel of Northwest Iowa Multicounty Regional Juvenile Detention Center during the course of the audit. Should there be any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 15, 2006

Hungelman, Putzier & Co.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The mail should be opened by someone who does not have access to the accounting records. A list of all checks received should be prepared and this list should then be agreed to amounts posted to the accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center continues to review its policies and procedures in regards to segregation of duties. The mail is currently opened by a staff member without access to the accounting duties and a log is kept by this employee of all incoming checks. This list is attached to the bank statement after reconciliation each month. We continue to look for ways to improve the segregation of duties within the facility.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

1. Questionable Expenditures - No expenses that 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 expenditures for travel expenses of spouses of Center officials or employees were noted.
3. Bond Coverage - Employees were covered by a surety bond during the year ended June 30, 2006.
4. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
5. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Center's investment policy were identified

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Other Findings Related to Statutory Reporting: (Continued)

6. Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Center 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 Center retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The Center should obtain and retain an image of both the front and back of each cancelled check as required.

Response - On February 1, 2007, the YES Center contacted the current banking institution and requested front and back copies of each cancelled check. The bank was unable to copy the back side of checks previous to January 1, 2007, but will begin the process of copying the back and front sides of each cancelled check, effective January 1, 2007.

Conclusion - Response accepted.

7. Form 1099 - The Internal Revenue Service requires that Form 1099 be prepared when disbursements for services to a non-corporate entity exceed \$600 in a calendar year. The Center is currently not issuing any 1099's.

Recommendation - The Center should monitor yearly disbursements by vendor and issue a Form 1099 if required.

Response - The Center has discovered two incidents of 1099's that were not dispersed - to the facility nurse, and to Hunzelman, Putzier, the Certified Public Accountants. These 1099's were issued for the 2006 calendar year.

Conclusion - Response accepted.



**Northwest Iowa YES
Center**

1231 W. Cedar Loop
#110
Cherokee, IA 51012

Phone: 712-225-5777
Fax: 712-225-3722
E-mail:
c_mcgroory@evertek.net

Ken Chalstrom
Chairman
Clay County

Ken Hatch
Buena Vista County

Eugene Meiners
Carroll County

Ron Wetherell
Cherokee County

Mardi Allen
Dickinson County

Jim Jenson
Emmet County

Joe Cronin
Ida County

Craig Block
Lyon County

Dan Struve
O'Brien County

John Schneider
Plymouth County

Ralph Christiansen
Pocahontas County

Jack Bensley
Sac County

Denny Wright
Sioux County

Dan Mahlbauer
Crawford County

Cheryl McGroory
Director

NORTHWEST IOWA YOUTH EMERGENCY SERVICES CENTER

February 1, 2007

For Release—

The audit report of the Northwest Iowa Multi-county Regional Juvenile Detention Center (d/b/a Northwest Iowa Youth Emergency Services Center) for the years ended June 30, 2006 and 2005, has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David a Vaudt, Auditor of State.

A Copy of the audit report is available for review in the office of the Auditor of State and at the Northwest Iowa Multi-county Regional Juvenile Detention Center.