

*Anna M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

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

**JUNE 30, 2008**

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## SOUTH IOWA AREA DETENTION SERVICE AGENCY

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Linda Butts	Facility Director – Lee County	
Mike Lamb	Facility Director – Lucas County	
Max Proctor	Chairman	Davis County
Willie Van Weelden	Vice Chairman	Mahaska County
Jerry Parker	Secretary/Treasurer	Wapello County
Dean Kaster	Member	Appanoose County
Don Irelan	Member	Union County
Tim Hoschek	Member	Des Moines County
David Wilson	Member	Louisa County
Larry Kruse	Member	Lee County
Cathy Reece	Member	Lucas County
Richard Reed	Member	Jefferson County

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## Independent Auditor's Report

To the Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statements of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2008. These financial statements are the responsibility of the South Iowa Area Detention Service Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 I plan and perform the audit 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 financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

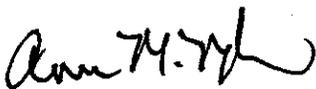
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Iowa Area Detention Service Agency at June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 22, 2008 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 12 and page 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann M. Menke". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Ann M. Menke  
Certified Public Accountant  
Professional Corporation  
September 22, 2008

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the South Iowa Area Detention Service Agency is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts decreased 11.4%, or approximately \$201,557, from fiscal 2007 to fiscal 2008.
- The Agency's operating disbursements increased 1.5%, or approximately \$28,369, from fiscal 2007 to fiscal 2008.
- The Agency's net assets decreased approximately \$317,818. This was primarily due to the decrease in billable days.

### USING THIS ANNUAL REPORT

The South Iowa Area Detention Service Agency 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 is intended to serve as an introduction to the South Iowa Area Detention Service Agency's basic 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 Agency's financial activities.

The Statement of Net Assets presents information on the Agency'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 Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the operating revenues and expenses, non-operating revenues and expenses and whether the Agency'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 Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency 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 basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal 2008 totaled approximately \$2,371,468. This compares to approximately \$2,689,826 for fiscal 2007. A summary of the Agency's net assets is presented below.

	Net Assets	
	June 30,	
	2008	2007
Current assets	\$ 874,915	\$ 1,066,393
Capital assets at cost, less accumulated depreciation	1,636,892	1,747,387
Other noncurrent assets	0	0
<b>Total assets</b>	<b>2,511,807</b>	<b>2,813,780</b>
Current liabilities	140,339	124,494
Noncurrent liabilities	0	0
<b>Total liabilities</b>	<b>140,339</b>	<b>124,494</b>
Net assets:		
Invested in capital assets, net of related debt	1,636,892	1,747,387
Unrestricted	734,576	941,899
<b>Total net assets</b>	<b>\$ 2,371,468</b>	<b>\$ 2,689,286</b>

The largest portion of the Agency's net assets in 2008 is the amount invested in capital assets (69%, e.g., land, buildings and equipment). The remaining net assets (31%) are the unrestricted net assets that can be used to meet the Agency's obligations as they come due.

### *Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues consist of county assessments, county transport fees, and other reimbursements. Operating expenses are expenses paid to operate the South Iowa Area Detention Service Agency. Non-operating revenues and expenses are interest income and interest expense. 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, 2008 is presented below:

Changes in Net Assets

	Year ended June 30,	
	2008	2007
Operating revenue:		
Charges for service	\$ 1,153,382	\$ 1,348,773
DHS reimbursement	384,310	387,235
Lunch program reimbursement	26,483	30,476
Miscellaneous income	2,666	1,914
Total operating revenue	<u>1,566,841</u>	<u>1,768,398</u>
Operating expenses:		
Salaries and wages	1,089,823	1,060,133
Employee benefits	315,838	310,481
Advertising	224	36
Bad debt expense	588	-2,116
Depreciation and amortization	110,495	110,495
Dues and subscriptions	1,014	441
First aid and pharmacy expense	3,392	1,578
Food service	51,432	60,835
Insurance	63,584	68,355
Juvenile clothing, linens, and other supplies	5,108	7,459
Office supplies, postage, and printing	4,603	7,346
Physician and other medical	17,002	16,100
Professional fees	36,930	35,510
Repairs and maintenance	26,170	21,366
Telephone	9,676	9,869
Training expense	6,393	9,531
Transports	109,951	110,464
Trash removal	2,718	2,526
Travel and auto expense	7,680	5,242
Utilities	40,362	38,963
Total operating expenses	<u>1,902,983</u>	<u>1,874,614</u>
Operating loss/income	<u>-336,142</u>	<u>-106,216</u>
Non-operating revenues (expenses):		
Interest income	18,324	27,646
Interest expense	0	0
Forgive capital loan note receivable with contributed capital	0	0
Net non-operating expenses	<u>18,324</u>	<u>27,646</u>
Change in net assets	-317,818	-78,570
Net assets beginning of year	<u>2,689,286</u>	<u>2,767,856</u>
Net assets end of year	<u>\$ 2,371,468</u>	<u>\$ 2,689,286</u>

The Statement of Revenues, Expenses and Changes in Net Assets shows an operating loss this year due primarily to a decrease in billable days. Overall net assets decreased as a result of a decrease in average daily population. The DHS reimbursement was lower than expected.

The Agency's operating revenues decreased 11.4%, or approximately \$201,557, from fiscal 2007 to fiscal 2008. The main reason for this decrease in revenues is that average daily population at the detention facilities decreased.

The Agency's operating expenses increased 1.5%, or approximately \$28,369, from fiscal 2007 to fiscal 2008. However, the operating expenses were \$13,554 more than budgeted. This increase was primarily due to depreciation being more than the budgeted amount.

The Agency's net assets decreased approximately \$317,818, or 11.9%, from June 30, 2007 to June 30, 2008.

### ***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 service fees and transportation paid by counties and reimbursements paid by the state reduced by payments to employees and to suppliers. Cash provided by investing activities includes interest income.

### **CAPITAL ASSETS**

At June 30, 2008, the Agency had approximately \$1,636,892 in capital assets, net of accumulated depreciation of approximately \$1,656,872. Depreciation charges totaled \$110,495 for fiscal 2008. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2008, the Agency had no debt outstanding.

### **ECONOMIC FACTORS**

A review of the fiscal year budget for the South Iowa Area Detention Service Agency showed actual operating income lower than expected by \$476,913, while operating revenue was \$463,359 lower than expected and operating expenses were \$13,554 more than projected.

Current cash status showed a total of \$297,947 in all accounts.

The State Detention Reimbursement Fund remitted \$384,310, which covered approximately 20.2% of our operating expenses for fiscal year 2008.

The fiscal year ended with 6,348 billing days, down approximately 1,136 days from fiscal year 2007. Overall, capacity and average daily population improved at the Lee facility and decreased at the Lucas facility; approximately 10 (49% capacity) at the Lee facility, and approximately 7.22 (35% capacity) at the Lucas facility. An average daily population of approximately 30-35 is necessary to meet expenses.

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

This financial report is designed to provide our members, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

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**A Professional Corporation**

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**BASIC FINANCIAL STATEMENTS**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

**Assets**

## Current assets:

Cash	\$ 297,947
Accounts receivable - Counties, net of allowance of \$4,624	151,602
Accounts receivable - DHS	384,310
Interest receivable	491
Prepaid insurance	<u>40,565</u>
<b>Total current assets</b>	<u><u>874,915</u></u>

## Noncurrent assets:

Capital assets (net of accumulated depreciation)	<u>1,636,892</u>
<b>Total noncurrent assets</b>	<u><u>1,636,892</u></u>
<b>Total assets</b>	<u><u>2,511,807</u></u>

**Liabilities**

## Current liabilities:

Accounts payable	26,967
Salaries and benefits payable	59,172
Compensated absences	<u>54,200</u>
<b>Total current liabilities</b>	<u><u>140,339</u></u>
<b>Total liabilities</b>	<u><u>140,339</u></u>

**Net assets**

Invested in capital assets, net of related debt	1,636,892
Unrestricted	<u>734,576</u>
<b>Total net assets</b>	<u><u>\$ 2,371,468</u></u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Year Ended June 30, 2008**

Operating revenues:	
Detention care fees	\$ 1,045,675
Transport fees	107,707
DHS reimbursement	384,310
Lunch program reimbursement	26,483
Miscellaneous income	2,666
	<u>1,566,841</u>
Total operating revenues	
Operating expenses:	
Salaries and wages	1,089,823
Employee benefits	315,838
Advertising	224
Bad debt expense	588
Depreciation and amortization	110,495
Dues and subscriptions	1,014
First aid and pharmacy expense	3,392
Food service	51,432
Insurance	63,584
Juvenile clothing, linens, and other supplies	5,108
Office supplies, postage, and printing	4,603
Physician and other medical	17,002
Professional fees	36,930
Repairs and maintenance	26,170
Telephone	9,676
Training expense	6,393
Transports	109,951
Trash removal	2,718
Travel and auto expense	7,680
Utilities	40,362
	<u>1,902,983</u>
Total operating expenses	
Operating loss	<u>(336,142)</u>
Non-operating revenues (expenses)	
Interest income	18,324
	<u>18,324</u>
Net non-operating expenses	
Change in net assets	(317,818)
Net assets beginning of year	2,689,286
Net assets end of year	<u>\$ 2,371,468</u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2008**

## Cash flows from operating activities:

Cash received from services	\$ 1,136,569
Cash received from reimbursements	413,182
Cash received from other operating receipts	276
Cash paid to suppliers for goods and services	(371,075)
Cash paid to employees for services	(1,405,661)
Net cash used by operating activities	<u>(226,709)</u>

## Cash flows from investing activities

Interest received	<u>24,807</u>
Net cash provided by investing activities	<u>24,807</u>

Net decrease in cash and cash equivalents	(201,902)
Cash and cash equivalents beginning of year	<u>499,849</u>
Cash and cash equivalents end of year	<u>\$ 297,947</u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating loss	\$ (336,142)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	110,495
Bad debt provision	588
Changes in assets and liabilities:	
Increase in accounts receivable	(16,813)
Increase in prepaid expenses	(682)
Increase in accounts payable	7,984
Increase in accrued liabilities	7,861
Total adjustments	<u>109,433</u>
Net cash used by operating activities	<u>\$ (226,709)</u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates two juvenile detention facilities located in Chariton, Iowa and Montrose, Iowa. The Agency is governed by a Board comprised of one representative from each of the following member counties: Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union, and Wapello. In the performance of its duties, the Board may cooperate with, contract with, and accept and expend funds from federal, state, or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law. The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency 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 Agency are such that exclusion would cause the Agency'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 Agency 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 Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

Several members of the Agency's board of directors are also board members of the South Iowa Area Crime Commission, which is a jointly governed organization since it provides services to the member counties of the Agency but does not meet the criteria of a joint venture.

**B. Basis of Presentation**

The accounts of the South Iowa Area Detention Service Agency 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.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 satisfied.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due.

The Agency 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.

**D. Budgets**

The Agency annually adopts a budget on the accrual basis. The annual budget may be amended during the year upon approval of the Board. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**E. Assets, Liabilities, and Net Investments**

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

**Cash, Pooled Investments and Cash Equivalents** – Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered 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.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – Capital assets, which include property, equipment, and vehicles are accounted for at historical cost or estimated historical costs if actual cost is not available. Donated assets are valued at their estimated fair value on the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Buildings and improvements	\$ 25,000
Equipment and vehicles	4,000

Capital assets of the Agency are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-35 years
Equipment and furnishings	5-10 years
Vehicles	3-8 years

Income Taxes – The Agency is exempt from federal and state income taxes.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Unused vacation hours are paid upon termination, retirement, or death. Employees accumulate sick leave up to a maximum of 108 days. If not used this sick leave is lost except upon retirement at which time the agency will buy back the unused sick leave at a rate of one hour for every three hours unused provided the employee is eligible to retire in accordance with IPERS guidelines. The Agency's approximate liability for earned vacation payable to employees at June 30, 2008, is \$54,200. The maximum potential liability for employee sick leave at June 30, 2008 is \$222,684. This liability has been computed based on rates of pay as of June 30, 2008.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The Agency's deposits in banks at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency Board; 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The Agency had no investments at June 30, 2008 other than those described below.

The Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$244,039 at June 30, 2008 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The Agency's investment in Iowa Public Agency Investment Trust is unrated.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**NOTE 3 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 3.9% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$65,294, \$61,368, and \$58,548, respectively, equal to the required contribution for each year.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital assets at June 30, 2008 is as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Capital assets being depreciated:				
Buildings and improvements	\$ 3,084,959	-	-	\$ 3,084,959
Equipment and furnishings	169,305	-	-	169,305
Vehicles	39,500	-	-	39,500
Total capital assets being depreciated	<u>3,293,764</u>	-	-	<u>3,293,764</u>
Less accumulated depreciation for:				
Buildings and improvements	1,360,508	102,832	-	1,463,340
Equipment and furnishings	150,659	4,803	-	155,462
Vehicles	35,210	2,860	-	38,070
Total accumulated depreciation	<u>1,546,377</u>	<u>110,495</u>	-	<u>1,656,872</u>
Total capital assets, net	<u>\$ 1,747,387</u>	<u>(110,495)</u>	-	<u>\$ 1,636,892</u>

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**NOTE 5 – RISK MANAGEMENT**

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 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 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 due and payable in the current 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 to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2008 were \$38,813.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**NOTE 5 – RISK MANAGEMENT (Continued)**

The Pools' intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the Agency's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency 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.

**NOTE 6 – DESIGNATED NET ASSETS**

The Board of Directors approved establishing a Capital Improvement Fund with an initial deposit of \$50,000. Subsequent deposits of \$2 per billing day are made on a quarterly basis for capital improvements. At June 30, 2008 the fund had a balance of \$79,417.

*Ann M. Menke*

**Certified Public Accountant  
A Professional Corporation**

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**SUPPLEMENTAL INFORMATION**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**ACTUAL TO BUDGET**  
**Year Ended June 30, 2008**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating revenues:			
Detention care fees	\$ 1,045,675	\$ 1,410,000	\$ (364,325)
Transport fees	107,707	120,000	(12,293)
DHS reimbursement	384,310	450,000	(65,690)
Lunch program reimbursement	26,483	35,000	(8,517)
Miscellaneous income	2,666	15,200	(12,534)
Total operation revenues	<u>1,566,841</u>	<u>2,030,200</u>	<u>(463,359)</u>
Operating expenses:			
Salaries and wages	1,089,823	1,137,401	47,578
Employee benefits	315,838	355,383	39,545
Advertising	224	100	(124)
Bad debts	588	-	(588)
Depreciation and amortization	110,495	-	(110,495)
Dues and subscriptions	1,014	1,000	(14)
First aid and pharmacy expense	3,392	24,500	21,108
Food service	51,432	65,000	13,568
Insurance	63,584	45,000	(18,584)
Juvenile clothing, linens, and other supplies	5,108	7,050	1,942
Office supplies, postage, and printing	4,603	6,100	1,497
Physician and other medical	17,002	16,250	(752)
Professional fees	36,930	38,495	1,565
Repairs and maintenance	26,170	27,150	980
Telephone	9,676	10,000	324
Training expense	6,393	6,000	(393)
Transports	109,951	100,000	(9,951)
Trash removal	2,718	2,500	(218)
Travel and auto expense	7,680	7,000	(680)
Utilities	40,362	40,500	138
Total operating expenses	<u>1,902,983</u>	<u>1,889,429</u>	<u>(13,554)</u>
Operating income	(336,142)	140,771	(476,913)
Non-operating revenues (expenses)			
Interest income	18,324	12,000	6,324
Net non-operating expenses	<u>18,324</u>	<u>12,000</u>	<u>6,324</u>
Net income	<u>\$ (317,818)</u>	<u>\$ 152,771</u>	<u>\$ (470,589)</u>

See accompanying notes.

*Ann M. Menke*

**Certified Public Accountant**  
**A Professional Corporation**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

*Ann M. Menke*

Certified Public Accountant  
A Professional Corporation

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 Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statements of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued my report thereon dated September 19, 2008. My report expressed an unqualified opinion on the financial statements. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 my audit, I considered the South Iowa Area Detention Service Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of South Iowa Area Detention Service Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Iowa Area Detention Service Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of South Iowa Area Detention Service Agency's financial statements that is more than inconsequential will not be prevented or detected by the South Iowa Area Detention Service Agency's internal control. I consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the South Iowa Area Detention Service Agency's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item 2008-I-A is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

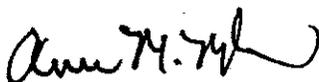
Comments involving statutory and other legal matters about the South Iowa Area Detention Service Agency's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the South Iowa Area Detention Service Agency. Since my 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.

South Iowa Area Detention Service Agency's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Agency's responses, and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the South Iowa Area Detention Service Agency and other parties to whom the South Iowa Area Detention Service Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke  
Certified Public Accountant  
September 22, 2008

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2008**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

2008-I-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. I noted that the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting records.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager and other staff, where appropriate, review receipts, invoices and bill payments, and payroll as much as possible.

Conclusion – Response accepted.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2008**

**Part II: Other Findings Related to Statutory Reporting:**

2008-II-A

Questionable Disbursements – 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.

2008-II-B

Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2008-II-C

Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.

2008-II-D

Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

2008-II-E

Agency Meetings – No transactions were found that I believe should have been approved in the Agency minutes but were not.

2008-II-F

Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**Audit Staff**

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kristy Steffensmeier, Staff Auditor

