

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

Year Ended December 31, 2014



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

ORGANIZATION
2014

<u>Board of Directors</u>	<u>Title</u>
John Holtz ¹	Swift County Sheriff
Daniel Hartog ²	Kandiyohi County Sheriff
Doug Moe	Appleton Police Chief
Ian Hodge	Benson Police Chief
Stacy Tufto	Chippewa County Sheriff
Russ Blue	Granite Falls Police Chief
Patrick Fank	Litchfield Police Chief
Jeff Norlin	Meeker County Sheriff
Adam Christopher	Montevideo Police Chief
Shane Baker	Kandiyohi County Attorney
Jim Felt	Willmar Police Chief
Bill Flaten	Yellow Medicine County Sheriff
Ralph Bradley	Clara City Police Chief

¹Chair

²Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CEE-VI Drug Task Force
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the CEE-VI Drug Task Force (Task Force) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Task Force's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America. 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 Task Force'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 Task Force'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the CEE-VI Drug Task Force as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 11, 2015

BASIC FINANCIAL STATEMENTS

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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 183,651	\$ -	\$ 183,651
Cash held from seizures	73,818	-	73,818
Accounts receivable	87	-	87
Due from other governments	44,343	-	44,343
Prepaid items	4,255	-	4,255
Capital assets			
Depreciable - net	-	68,430	68,430
Total Assets	\$ 306,154	\$ 68,430	\$ 374,584
 <u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 3,076	\$ -	\$ 3,076
Due to other governments	46,118	-	46,118
Unearned revenue	73,818	-	73,818
Total Liabilities	\$ 123,012	\$ -	\$ 123,012
Fund Balance			
Unassigned	183,142	\$ (183,142)	
Net Position			
Investment in capital assets		\$ 68,430	\$ 68,430
Unrestricted		183,142	183,142
Total Net Position		\$ 251,572	\$ 251,572
Total Liabilities and Fund Balance/Net Position	\$ 306,154	\$ 68,430	\$ 374,584
Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 183,142
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.			68,430
Net Position - Governmental Activities			\$ 251,572

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

EXHIBIT 2

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental	\$ 177,375	\$ -	\$ 177,375
Membership contributions	436,994	-	436,994
Fines and forfeitures	23,505	-	23,505
Miscellaneous	1,440	-	1,440
	\$ 639,314	\$ -	\$ 639,314
Expenditures/Expenses			
Public safety			
Salary reimbursement	\$ 535,825	\$ -	\$ 535,825
Repairs and maintenance	13,147	-	13,147
Depreciation	-	22,078	22,078
Supplies	17,681	-	17,681
Training	7,757	-	7,757
Vehicles and fuel	45,142	(25,812)	19,330
Evidence purchases	22,205	-	22,205
Other	1,270	-	1,270
	\$ 643,027	\$ (3,734)	\$ 639,293
Net Change in Fund Balance/Net Position	\$ (3,713)	\$ 3,734	\$ 21
Fund Balance/Net Position - January 1	186,855	64,696	251,551
Fund Balance/Net Position - December 31	\$ 183,142	\$ 68,430	\$ 251,572
Reconciliation of the General Fund's Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities			
Net Change in Fund Balance			\$ (3,713)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays reported as expenditures		\$ 25,812	
Current year depreciation		(22,078)	3,734
Change in Net Position of Governmental Activities			\$ 21

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The CEE-VI Drug Task Force's (Task Force) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Task Force are discussed below.

A. Organization

1. General

Swift, Chippewa, Yellow Medicine, Kandiyohi, Meeker, and Renville Counties and the cities of Appleton, Benson, Granite Falls, Litchfield, Montevideo, Willmar, Cosmos, and Clara City, have formed a multi-jurisdictional drug investigation unit. This unit, established in 1990, was formed to assist in major case investigations within the six-county area by drawing upon the resources of the member units of government. The Task Force has established a Board of Directors, which has general supervision over the Task Force activities.

2. Board of Directors

The Board consists of 13 members comprising the Sheriff of each member county, the Chief of Police of each member city, and a County Attorney, or their designees. The Board elects a Chair and Vice Chair from its members. These officers serve a one-year term of office and may serve more than one term. The Board has adopted bylaws and operating rules as it has deemed necessary.

B. Financial Reporting Entity

The Task Force is a separate entity independent of the cities and counties that formed it. In accordance with GAAP, the Task Force's financial statements are not included in any member's financial statements. No single member retains control over the operations or is financially accountable for the Task Force.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements

Basic financial statements include information on the Task Force’s activities as a whole and information on the individual fund of the Task Force. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the “governmental activities” of the Task Force as a whole.

The governmental activities columns are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Task Force’s net position is reported in two parts: investment in capital assets and unrestricted net position. The statement of activities demonstrates the degree to which the expenses of the Task Force are offset by revenues.

The balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis and report current financial resources.

D. Measurement Focus and Basis of Accounting

The government-wide 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Task Force considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Task Force’s policy to use restricted resources first and then unrestricted resources as needed.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Position or Equity

1. Capital Assets

Capital assets, which include machinery and automotive, are reported in the governmental activities column in the statement of net position. The Task Force defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Task Force are depreciated using the straight-line method over an estimated five-year useful life.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements.

3. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At year-end, the unearned revenue balance consists of forfeitures not yet settled.

4. Classification of Net Position

Net position in the government-wide financial statement is classified in the following categories:

Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

4. Classification of Net Position (Continued)

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or investment in capital assets.

5. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Task Force is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Task Force’s Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the Task Force intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

5. Classification of Fund Balances (Continued)

The Task Force applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

At December 31, 2014, the General Fund had \$183,142 in unassigned fund balance.

6. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Budgetary Information

The Task Force's management develops a budget for intergovernmental and membership contribution revenues. A budget is also prepared for salary reimbursement, repairs and maintenance, supplies, training, and evidence purchase expenses. The budget is reviewed by the Board annually.

2. Detailed Notes on All Funds

A. Deposits

Cash transactions are administered by Kandiyohi County, who is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

2. Detailed Notes on All Funds

A. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Task Force’s deposits may not be returned to it. The Task Force does not have a deposit policy for custodial credit risk. As of December 31, 2014, the bank balance of the Task Force’s deposits totaled \$257,469 and was not exposed to custodial credit risk.

B. Receivables

The due from other governments balance at December 31, 2014, represents the amount from state payments due to the Task Force.

C. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery and automotive	\$ 91,076	\$ 25,812	\$ 6,500	\$ 110,388
Less: accumulated depreciation for				
Machinery and automotive	<u>26,380</u>	<u>22,078</u>	<u>6,500</u>	<u>41,958</u>
Total Capital Assets Depreciated, Net	<u>\$ 64,696</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 68,430</u>

Depreciation expense was charged to public safety expenses in the amount of \$22,078.

**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Risk Management

The Task Force is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. For all risks, the Task Force relies upon the insurance coverage of the participants in the joint venture. There have been no significant reductions in insurance from the previous year. The amount of settlements did not exceed insurance coverage for each of the past three years.

E. Contingencies

The expenditures under the federal grant are subject to audit by federal and state agencies. To the extent that these agencies may disallow expenditures claimed, a liability to the Task Force could result.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 177,375	\$ 177,375	\$ 177,375	\$ -
Membership contributions	436,994	436,994	436,994	-
Fines and forfeitures	20,619	20,619	23,505	2,886
Miscellaneous	-	-	1,440	1,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 634,988	\$ 634,988	\$ 639,314	\$ 4,326
Expenditures				
Current				
Public safety				
Salary reimbursement	\$ 542,000	\$ 542,000	\$ 535,825	\$ 6,175
Repairs and maintenance	10,000	10,000	13,147	(3,147)
Supplies	22,700	22,700	17,681	5,019
Training	10,000	10,000	7,757	2,243
Vehicles and fuel	55,000	55,000	45,142	9,858
Evidence purchases	39,248	39,248	22,205	17,043
Other	2,200	2,200	1,270	930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 681,148	\$ 681,148	\$ 643,027	\$ 38,121
Net Change in Fund Balance	\$ (46,160)	\$ (46,160)	\$ (3,713)	\$ 42,447
Fund Balance - January 1	186,855	186,855	186,855	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 140,695	\$ 140,695	\$ 183,142	\$ 42,447
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**CEE-VI DRUG TASK FORCE
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All appropriations lapse at year-end unless specifically carried over to the next budget year by Board action.

The appropriated budget is prepared by fund and function. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriation) is the function level. The Board made no supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Budget

There were no excesses of expenditures over budget at the function level.

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
CEE-VI Drug Task Force
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the General Fund of the CEE-VI Drug Task Force (Task Force) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Task Force's basic financial statements and have issued our report thereon dated December 11, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Task Force's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding because the Task Force did not enter into any contracts during 2014. In addition, we did not test for compliance with the provisions for public indebtedness because the Task Force has no debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Task Force failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Task Force's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the Task Force and the State Auditor and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 11, 2015

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