

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**CENTRAL MINNESOTA VIOLENT OFFENDER
TASK FORCE
ST. CLOUD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2015

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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**CENTRAL MINNESOTA VIOLENT OFFENDER
TASK FORCE
ST. CLOUD, MINNESOTA**

Year Ended December 31, 2015



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

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**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

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**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

**ORGANIZATION
2015**

<u>Board of Directors</u>	<u>Title</u>
Shawn Larsen	Morrison County Sheriff
Troy Heck	Benton County Sheriff
John Sanner ³	Stearns County Sheriff
Philip Miller	Benton County Attorney
Don Asmus	Todd County Sheriff
William Blair Anderson	St. Cloud Police Chief
Greg Schirmers ²	Little Falls Police Chief
Jim Hughes ¹	Sartell Police Chief
Joel Brott	Sherburne County Sheriff

¹Chair

²Secretary

³Treasurer

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Minnesota Violent Offender Task Force
St. Cloud, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Central Minnesota Violent Offender Task Force (VOTF) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the VOTF'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 VOTF'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 VOTF'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 Central Minnesota Violent Offender Task Force as of December 31, 2015, and the respective changes in financial position thereof 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 Management's Discussion and Analysis 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, 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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

This section of the annual financial report presents our discussion and analysis of the financial performance during the fiscal year that ended December 31, 2015. The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in Governmental Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999. Certain comparative information between the current year, 2015, and the prior year, 2014, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 include the following:

- Government-wide net position increased by 6.3 percent from the prior year.
- Overall fund level revenues totaled \$395,958 and were \$6,694 more than expenditures.
- The General Fund's fund balance increased \$10,694 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: the Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements; and notes to the financial statements. The basic financial statements include the General Fund Balance Sheet and Governmental Activities Statement of Net Position and the General Fund Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities Statement of Activities.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 summarizes the major features of the Central Minnesota Violent Offender Task Force's (VOTF) financial statements, including the portion of the VOTF's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure A-1
Major Features of the VOTF's
Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Fund
Scope	Entire government	The activities of the government that are not proprietary or fiduciary
Required financial statements	Statement of net position, statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of outflow/inflow information	All revenues and expenses	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide and Fund Financial Statements

The financial statements included in this report combine the governmental fund and government-wide activities into two statements.

The governmental or General Fund activity includes the VOTF's basic services that generally focus on: (1) how cash and other financial assets that can be readily converted to cash flow in and out, and (2) the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the VOTF's programs.

The government-wide statements report information about the VOTF as a whole, using accounting methods similar to those used by private-sector companies. These statements include all of the assets and liabilities of the VOTF, including long-term activity. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE UNIT AS A WHOLE

Governmental Activities

The VOTF's net position was \$839,427 at December 31, 2015.

	Net Position December 31		Percent (%) Change
	<u>2015</u>	<u>2014</u>	
Assets			
Cash and pooled investments	\$ 676,293	\$ 685,117	(1.3)
Cash held from seizures	51,607	103,398	(50.1)
Due from other governments	82,056	70,115	17.0
Prepaid items	5,255	-	100.0
Capital assets	<u>80,280</u>	<u>41,507</u>	93.4
Total Assets	<u>\$ 895,491</u>	<u>\$ 900,137</u>	(0.5)
Liabilities			
Current liabilities			
Accounts payable	\$ 4,457	\$ 6,779	(34.3)
Unearned revenue	<u>51,607</u>	<u>103,398</u>	(50.1)
Total Liabilities	<u>\$ 56,064</u>	<u>\$ 110,177</u>	(49.1)
Net Position			
Net investment in capital assets	\$ 80,280	\$ 41,507	93.4
Restricted	753,892	-	100.0
Unrestricted	<u>5,255</u>	<u>748,453</u>	(99.3)
Total Net Position	<u>\$ 839,427</u>	<u>\$ 789,960</u>	6.3

**Change in Net Position
For the Year Ended December 31**

	2015	2014	Percent (%) Change
Revenues			
Intergovernmental	\$ 278,365	\$ 282,226	(1.4)
Fines and forfeitures	110,465	102,136	8.2
Gifts and contributions	200	-	100.0
Investment income	6,012	5,635	6.7
Miscellaneous	916	1,606	(43.0)
Gain on sale of capital assets	4,000	-	100.0
Total Revenues	\$ 399,958	\$ 391,603	2.1
Expenses			
Public safety	350,491	372,159	(5.8)
Net Change in Net Position	\$ 49,467	\$ 19,444	154.4
Net Position - January 1	789,960	770,516	2.5
Net Position - December 31	<u>\$ 839,427</u>	<u>\$ 789,960</u>	6.3

FINANCIAL ANALYSIS OF THE VOTF AT THE FUND LEVEL

The financial performance of the VOTF as a whole is reflected in its governmental fund as well. The General Fund, which is the only governmental fund of the VOTF, includes the primary operations of the VOTF in providing crime investigation to the citizens of Stearns, Benton, Sherburne, Todd, and Morrison Counties. As the VOTF completed the year, the General Fund reported a fund balance of \$759,147.

The following schedule presents a comparative summary of General Fund revenues:

Function	Year Ended December 31		Change	
	2015	2014	Increase (Decrease)	Percent (%)
Intergovernmental	\$ 278,365	\$ 282,226	\$ (3,861)	(1.4)
Fines and forfeitures	110,465	102,136	8,329	8.2
Gifts and contributions	200	-	200	100.0
Investment income	6,012	5,635	377	6.7
Miscellaneous	916	1,606	(690)	(43.0)
Total General Fund Revenues	\$ 395,958	\$ 391,603	\$ 4,355	1.1

Total General Fund revenues increased by \$4,355, or 1.1 percent, from the previous year.

The following schedule presents a summary of General Fund expenditures:

Function	General Fund Expenditures		Change	
	Year Ended December 31		Increase (Decrease)	Percent (%)
	2015	2014		
Public safety	\$ 389,264	\$ 386,737	\$ 2,527	0.7

Total General Fund expenditures increased by \$2,527, or 0.7 percent, from the previous year.

CAPITAL ASSETS

The VOTF’s capital assets for its governmental activities at December 31, 2015, consist of office furniture and equipment totaling \$34,676 and machinery and automotive totaling \$45,604 (both net of accumulated depreciation). The net investment in capital assets increased by \$38,773, or 93.4 percent, from the previous year. Additional information on the VOTF’s capital assets can be found in Note 2.C.

FACTORS BEARING ON THE VOTF’S FUTURE

The VOTF is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that these funds will remain intact. The growth the VOTF experienced in recent years has made it clear that the state funds cannot sustain the annual VOTF operating budget. Each year the grant application is due, the VOTF intends to request an increase in funds. However, the state has informed applicants that the likelihood of a higher award is small as there are new task forces applying for funding. The VOTF plans to supplement any deficit with funds from previous seizures and restitution.

If, for some reason, the State Legislature decreases revenues, the agencies involved in the operation of this unit would attempt to gain funds either through County budgets or federal and state grants that would aid law enforcement. The unit also gains funds through asset seizures during investigations; these funds would also continue to be used to maintain the VOTF. Even if the state were to withdraw financial support for the operation of this unit, the administration of the member agencies agrees that the unit would have to continue to exist even if in a reduced version.

CONTACTING THE VOTF’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers, with a general overview of the VOTF’s finances and to demonstrate the VOTF’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sgt. Steve Soyka at 320-345-4236.

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BASIC FINANCIAL STATEMENTS

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**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 676,293	\$ -	\$ 676,293
Cash held from seizures	51,607	-	51,607
Due from other governments	82,056	-	82,056
Prepaid items	5,255	-	5,255
Capital assets			
Depreciable - net	-	80,280	80,280
Total Assets	\$ 815,211	\$ 80,280	\$ 895,491
 <u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 4,457	\$ -	\$ 4,457
Unearned revenue	51,607	-	51,607
Total Liabilities	\$ 56,064	\$ -	\$ 56,064
Fund Balance			
Nonspendable for prepaid items	\$ 5,255	\$ (5,255)	\$ -
Restricted for public safety	753,892	(753,892)	-
Total Fund Balance	\$ 759,147	\$ (759,147)	\$ -
Net Position			
Investment in capital assets		80,280	\$ 80,280
Restricted for public safety		753,892	753,892
Unrestricted		5,255	5,255
Total Net Position		\$ 839,427	\$ 839,427
Total Liabilities and Fund Balance/Net Position	\$ 815,211	\$ 80,280	\$ 895,491

Reconciliation of the General Fund Balance to Net Position

Fund Balance - General Fund	\$ 759,147
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Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.

80,280

Net Position - Governmental Activities

\$ 839,427

The notes to the financial statements are an integral part of this statement.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

EXHIBIT 2

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental	\$ 278,365	\$ -	\$ 278,365
Fines and forfeitures	110,465	-	110,465
Gifts and contributions	200	-	200
Investment income	6,012	-	6,012
Miscellaneous	916	-	916
Gain on sale of capital assets	-	4,000	4,000
	\$ 395,958	\$ 4,000	\$ 399,958
Expenditures/Expenses			
Current			
Public safety	\$ 318,966	\$ 31,525	\$ 350,491
Capital outlay			
Public safety	70,298	(70,298)	-
	\$ 389,264	\$ (38,773)	\$ 350,491
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 6,694	\$ 42,773	\$ 49,467
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	4,000	(4,000)	-
Net Change in Fund Balance/Net Position	\$ 10,694	\$ 38,773	\$ 49,467
Fund Balance/Net Position - January 1	748,453	41,507	789,960
Fund Balance/Net Position - December 31	\$ 759,147	\$ 80,280	\$ 839,427
Reconciliation of the General Fund's Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities Change in Net Position			\$ 10,694
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		\$ 70,298	
Current year depreciation		(31,076)	39,222
The effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, transfers, and retirements) is to decrease capital assets.			(449)
Change in Net Position of Governmental Activities			\$ 49,467

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies

The Central Minnesota Violent Offender Task Force's (VOTF) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. 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 VOTF are discussed below.

A. Organization

1. General

Benton, Morrison, Sherburne, Stearns, and Todd Counties and the Cities of Little Falls, Sartell, Sauk Rapids, St. Cloud, St. Joseph, and Waite Park have formed a joint powers investigative unit. This unit, established in 1979 and named the Central Minnesota Major Crime Investigation Unit (MCIU), was formed to assist in major case investigations within the participating counties by drawing upon the resources of the member units of government. The MCIU established a Board of Directors with general supervision over the MCIU's activities. The MCIU added a gang investigation unit to the drug task force during 2006. In 2012, the MCIU merged with the St. Cloud Gang and Drug Unit and is now operating under the name Central Minnesota Violent Offender Task Force.

2. Board of Directors

The Board consists of nine members, comprising the Sheriff of each member county; the Police Chiefs of the Cities of Little Falls, Sartell, and St. Cloud; and the Benton County Attorney, or their designees. The Board elects a chair, a secretary, and a treasurer from its members. These officers serve a one-year term and may serve more than one term. The Board has adopted bylaws and operating rules as it has deemed necessary.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Entity

The VOTF is a separate entity independent of the cities and counties that formed it. In accordance with GAAP, the VOTF'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 VOTF.

C. Basic Financial Statements

Basic financial statements include information on the VOTF's activities as a whole and information on the individual fund of the VOTF. 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 VOTF 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 VOTF's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted net position. The statement of activities demonstrates the degree to which the expenses of the VOTF 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 VOTF 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.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Measurement Focus and Basis of Accounting (Continued)

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

E. Assets, Liabilities, and Net Position or Equity

1. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental activities and the General Fund.

2. Capital Assets

Capital assets are recorded in the governmental activities column in the statement of net position. The VOTF defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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 VOTF are depreciated using the straight-line method over an estimated five-year useful life.

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.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity (Continued)

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, if any, attributed to the acquisition, construction, or improvement of the assets.

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 VOTF 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 VOTF’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.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

5. Classification of Fund Balances (Continued)

Assigned - amounts the VOTF intends to use for specific purposes but 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.

The VOTF 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, 2015, the General Fund had \$5,255 in nonspendable fund balance and \$753,892 in restricted fund balance.

F. 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.

G. Budgetary Information

The VOTF maintains five accounts: the grant account used to account for the VOTF's federal, state, and local grant proceeds; the membership account used to pay the State of Minnesota's portion of forfeitures received by the VOTF; the federal forfeiture account used to account for the federal drug forfeiture monies received by the VOTF; a program income account used to account for forfeitures and restitution monies received by the VOTF; and a seizure holding account used to account for seized funds while the investigation and trial are still in progress.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

G. Budgetary Information (Continued)

An annual budget is adopted for the grant account. The VOTF does not adopt budgets for the activity in the membership, federal forfeiture, program income, and seizure holding accounts.

2. Detailed Notes on All Funds

A. Deposits

The VOTF 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 VOTF 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.

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 VOTF's deposits may not be returned to it. The VOTF does not have a deposit policy for custodial credit risk. As of December 31, 2015, the bank balance of the VOTF's deposits totaled \$766,708 and was not exposed to custodial credit risk.

B. Receivables

The VOTF did not have any receivables scheduled to be collected beyond one year.

**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Office furniture and equipment	\$ 139,003	\$ 36,598	\$ 29,190	\$ 146,411
Machinery and automotive	55,069	33,700	2,000	86,769
Total capital assets depreciated	<u>\$ 194,072</u>	<u>\$ 70,298</u>	<u>\$ 31,190</u>	<u>\$ 233,180</u>
Less: accumulated depreciation for				
Office furniture and equipment	\$ 123,754	\$ 16,722	\$ 28,741	\$ 111,735
Machinery and automotive	28,811	14,354	2,000	41,165
Total accumulated depreciation	<u>\$ 152,565</u>	<u>\$ 31,076</u>	<u>\$ 30,741</u>	<u>\$ 152,900</u>
Total Capital Assets Depreciated, Net	<u>\$ 41,507</u>	<u>\$ 39,222</u>	<u>\$ 449</u>	<u>\$ 80,280</u>

Depreciation expense was charged to public safety expenses in the amount of \$31,076.

D. Risk Management

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

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**CENTRAL MINNESOTA VIOLENT OFFENDER TASK FORCE
ST. CLOUD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Depository Pledge Agreements (2014-001)

The Central Minnesota Violent Offender Task Force (VOTF) could not provide depository pledge agreements to cover deposits in excess of FDIC insurance at December 31, 2014, for deposits held at Stearns Bank.

Resolution

The VOTF was able to provide the necessary pledge agreements to cover deposits in excess of FDIC insurance for the year ending December 31, 2015.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Central Minnesota Violent Offender Task Force
St. Cloud, 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 Central Minnesota Violent Offender Task Force (VOTF) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the VOTF's basic financial statements and have issued our report thereon dated October 11, 2016.

The *Minnesota Legal Compliance Audit Guide for Other 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 VOTF's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the VOTF does not have any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the VOTF failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other 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 VOTF'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 VOTF 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

October 11, 2016

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