

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

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

**Year Ended December 31, 2014**



**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  
2014**

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

<sup>1</sup>Chair

<sup>2</sup>Secretary

<sup>3</sup>Treasurer

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## 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, 2014, 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 of 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, 2014, 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

November 3, 2015

## **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, 2014  
(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, 2014. 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, 2014, and the prior year, 2013, is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 include the following:

- Government-wide net position increased by 2.5 percent from the prior year.
- Overall fund level revenues totaled \$391,603 and were \$4,866 more than expenditures.
- The General Fund's fund balance increased \$6,666 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 contents of each of the statements.

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

<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Fund</b>
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 \$789,960 at December 31, 2014.

	Net Position December 31		Percent (%) Change
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Cash and pooled investments	\$ 685,117	\$ 686,374	(0.2)
Cash held from seizures	103,398	71,026	45.6
Due from other governments	70,115	63,848	9.8
Capital assets	<u>41,507</u>	<u>28,729</u>	44.5
Total Assets	<u>\$ 900,137</u>	<u>\$ 849,977</u>	5.9
Liabilities			
Current liabilities			
Accounts payable	\$ 6,779	\$ 8,435	(19.6)
Unearned revenue	<u>103,398</u>	<u>71,026</u>	45.6
Total Liabilities	<u>\$ 110,177</u>	<u>\$ 79,461</u>	38.7
Net Position			
Investment in capital assets	\$ 41,507	\$ 28,729	44.5
Unrestricted	<u>748,453</u>	<u>741,787</u>	0.9
Total Net Position	<u>\$ 789,960</u>	<u>\$ 770,516</u>	2.5

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

	2014	2013	Percent (%) Change
Revenues			
Intergovernmental	\$ 282,226	\$ 281,985	0.1
Fines and forfeitures	102,136	201,592	(49.3)
Investment income	5,635	4,107	37.2
Miscellaneous	1,606	3,249	(50.6)
<b>Total Revenues</b>	<b>\$ 391,603</b>	<b>\$ 490,933</b>	<b>(20.2)</b>
Expenses			
Public safety	371,959	414,096	(10.2)
Excess of Revenues Over (Under) Expenses	\$ 19,644	\$ 76,837	(74.4)
Other Financing Sources (Uses)			
Gain (loss) on sale of capital assets	(200)	-	-
Net Change in Net Position	\$ 19,444	\$ 76,837	(74.7)
Net Position - January 1	770,516	693,679	11.1
Net Position - December 31	<u>\$ 789,960</u>	<u>\$ 770,516</u>	2.5

**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 \$748,453.

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

**General Fund Revenues**

Function	Year Ended December 31		Change	
	2014	2013	Increase (Decrease)	Percent (%)
Intergovernmental	\$ 282,226	\$ 281,985	\$ 241	0.1
Fines and forfeitures	102,136	201,592	(99,456)	(49.3)
Investment income	5,635	4,107	1,528	37.2
Miscellaneous	1,606	3,249	(1,643)	(50.6)
<b>Total General Fund Revenues</b>	<b>\$ 391,603</b>	<b>\$ 490,933</b>	<b>\$ (99,330)</b>	<b>(20.2)</b>

Total General Fund revenue decreased by \$99,330, or 20.2 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	Percent
	2014	2013	(Decrease)	(%)
Public safety	\$ 386,737	\$ 398,490	\$ (11,753)	(2.9)

Total General Fund expenditures decreased by \$11,753, or 2.9 percent, from the previous year.

### **CAPITAL ASSETS**

The VOTF'S capital assets for its governmental activities at December 31, 2014, consist of office furniture and equipment totaling \$15,249 and machinery and automotive totaling \$26,258 (both net of accumulated depreciation). The net investment in capital assets increased by \$12,778, or 44.5 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 Task Force 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, 2014**

	General Fund	Reconciliation	Governmental Activities
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 685,117	\$ -	\$ 685,117
Cash held from seizures	103,398	-	103,398
Due from other governments	70,115	-	70,115
Capital assets			
Depreciable - net	-	41,507	41,507
<b>Total Assets</b>	<b>\$ 858,630</b>	<b>\$ 41,507</b>	<b>\$ 900,137</b>
 <b><u>Liabilities and Fund Balance/Net Position</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 6,779	\$ -	\$ 6,779
Unearned revenue	103,398	-	103,398
<b>Total Liabilities</b>	<b>\$ 110,177</b>	<b>\$ -</b>	<b>\$ 110,177</b>
<b>Fund Balance</b>			
Unassigned	748,453	<b>\$ (748,453)</b>	
<b>Net Position</b>			
Investment in capital assets		\$ 41,507	\$ 41,507
Unrestricted		748,453	748,453
<b>Total Net Position</b>		<b>\$ 789,960</b>	<b>\$ 789,960</b>
<b>Total Liabilities and Fund Balance/Net Position</b>	<b>\$ 858,630</b>	<b>\$ 41,507</b>	<b>\$ 900,137</b>
 <b>Reconciliation of the General Fund Balance to Net Position</b>			
<b>Fund Balance - General Fund</b>			<b>\$ 748,453</b>
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.			41,507
<b>Net Position - Governmental Activities</b>			<b>\$ 789,960</b>

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

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 282,226	\$ -	\$ 282,226
Fines and forfeitures	102,136	-	102,136
Investment income	5,635	-	5,635
Miscellaneous	1,606	-	1,606
	<b>\$ 391,603</b>	<b>\$ -</b>	<b>\$ 391,603</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
Public safety	386,737	(14,778)	371,959
	<b>\$ 4,866</b>	<b>\$ 14,778</b>	<b>\$ 19,644</b>
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>			
	<b>\$ 1,800</b>	<b>\$ (2,000)</b>	<b>\$ (200)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	\$ 1,800	\$ (1,800)	\$ -
Gain (loss) on sale of capital assets	-	(200)	(200)
	<b>\$ 1,800</b>	<b>\$ (2,000)</b>	<b>\$ (200)</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ 6,666</b>	<b>\$ 12,778</b>	<b>\$ 19,444</b>
<b>Fund Balance/Net Position - January 1</b>	<b>741,787</b>	<b>28,729</b>	<b>770,516</b>
<b>Fund Balance/Net Position - December 31</b>	<b>\$ 748,453</b>	<b>\$ 41,507</b>	<b>\$ 789,960</b>
<b>Reconciliation of the General Fund's Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities</b>			
<b>Net Change in Fund Balance</b>			<b>\$ 6,666</b>
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		\$ 35,057	
Current year depreciation		(20,279)	14,778
The effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, transfers and retirements) is to decrease capital assets			(2,000)
<b>Change in Net Position of Governmental Activities</b>			<b>\$ 19,444</b>

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

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

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

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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, 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 VOTF are discussed below.

A. Organization

1. General

Benton, Morrison, Stearns, Sherburne, and Todd Counties and the Cities of St. Cloud, Sauk Rapids, Waite Park, St. Joseph, Sartell, and Little Falls 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 St. Cloud, Sartell, and Little Falls; 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 of office 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**

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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 two parts: investment in capital assets 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**

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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. 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.

2. 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.

3. 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.

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

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

3. 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.

4. 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.

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

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

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1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Position or Equity

4. Classification of Fund Balances (Continued)

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, 2014, the General Fund had \$748,453 in unassigned 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.

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.

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

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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, 2014, the bank balance of the VOTF's deposits totaled \$827,916 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**

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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, 2014:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Office furniture and equipment	\$ 133,918	\$ 5,085	\$ -	\$ 139,003
Machinery and automotive	30,097	29,972	5,000	55,069
Total capital assets depreciated	<u>\$ 164,015</u>	<u>\$ 35,057</u>	<u>\$ 5,000</u>	<u>\$ 194,072</u>
Less: accumulated depreciation for				
Office furniture and equipment	\$ 114,489	\$ 9,265	\$ -	\$ 123,754
Machinery and automotive	20,797	11,014	3,000	28,811
Total accumulated depreciation	<u>\$ 135,286</u>	<u>\$ 20,279</u>	<u>\$ 3,000</u>	<u>\$ 152,565</u>
Total Capital Assets Depreciated, Net	<u>\$ 28,729</u>	<u>\$ 14,778</u>	<u>\$ 2,000</u>	<u>\$ 41,507</u>

Depreciation expense was charged to public safety expenses in the amount of \$20,279.

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, 2014**

**OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2014-001

Depository Pledge Agreements

**Criteria:** According to Minn. Stat. § 118A.03, subd. 4, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

**Condition:** 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.

**Context:** The collateral is held in safekeeping by US Bank in the form of government securities.

**Effect:** The VOTF is not in compliance with Minnesota statutes regarding depository pledge agreements.

**Cause:** The VOTF has not been successful in its attempts to obtain pledge agreements from Stearns Bank that conform to the requirements of Minn. Stat. § 118A.03.

**Recommendation:** We recommend the VOTF obtain collateral assignments from Stearns Bank for each security held in safekeeping by US Bank. The new assignments should be reviewed to make sure they include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and are approved by each respective bank’s Board of Directors.

Client’s Response:

*The CMVOTF is working with Stearns Bank to get the current pledge agreement for the securities pledged. Stearns Bank and US Bank are working with the state to assure they meet the required language.*

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## 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, 2014, and the related notes to the financial statements, which collectively comprise the VOTF's basic financial statements and have issued our report thereon dated November 3, 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 VOTF'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 VOTF did not enter into any contracts during 2014. In addition, we did not test for compliance with the provisions for public indebtedness because the VOTF has no debt.

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 Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as item 2014-001. 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.

The VOTF's written response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the VOTF's response and, accordingly, we express no opinion on it.

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

November 3, 2015

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR