

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**CENTRAL MINNESOTA MAJOR
CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2011

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 160 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 730 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.

**CENTRAL MINNESOTA MAJOR
CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

Year Ended December 31, 2011



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

This page was left blank intentionally.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor's Report | | 2 |
| Management's Discussion and Analysis | | 4 |
| Basic Financial Statements | | |
| General Fund Balance Sheet and Governmental Activities Statement of Net Assets | 1 | 9 |
| General Fund Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities Statement of Activities | 2 | 10 |
| Notes to the Financial Statements | | 11 |
| Management and Compliance Section | | |
| Schedule of Findings and Recommendations | | 19 |
| Report on Minnesota Legal Compliance | | 20 |

This page was left blank intentionally.

This page was left blank intentionally.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

ORGANIZATION
2011

| <u>Board of Directors</u> | <u>Title</u> |
|---------------------------|--------------------------------|
| Robert Raupp ¹ | Benton County Attorney |
| Brad Bennett ² | Benton County Sheriff |
| John Sanner ³ | Stearns County Sheriff |
| Dennis Ballantine | City of St. Cloud Police Chief |
| Michel Wetzel | Morrison County Sheriff |
| Peter Mikkelson | Todd County Sheriff |

¹Chair

²Secretary

³Treasurer

This page was left blank intentionally.

This page was left blank intentionally.



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

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Central Minnesota Major Crime Investigation Unit (MCIU), now operating as the Central Minnesota Violent Offender Task Force, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Major Crime Investigation Unit, now operating as the Central Minnesota Violent Offender Task Force, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, were adopted as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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

September 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011. The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standard Board's (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, 2011, and the prior year, 2010, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 include the following:

- Government-wide net assets increased by 35.3 percent from the prior year.
- Overall fund level revenues totaled \$432,213 and were \$135,461 more than expenditures.
- The General Fund's fund balance increased \$135,461 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts--Independent Auditor's Report; required supplementary information, which includes the Management's Discussion and Analysis (this section); the basic financial statements; and notes to the financial statements. The basic financial statements include the statement of net assets and governmental fund balance sheet and the statement of activities and statement of governmental fund revenues, expenditures, and changes in fund balance.

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 Major Crime Investigation Unit's (MCIU) financial statements, including the portion of the MCIU'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 MCIU'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 assets, 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 inflow/outflow 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 MCIU'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 MCIU's programs.

The government-wide statements report information about the MCIU 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 MCIU, 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 MCIU's net assets were \$596,796 on December 31, 2011.

| | Net Assets December 31 | | Percent (%) Change |
|-----------------------------|---------------------------|------------|--------------------------|
| | 2011 | 2010 | |
| Assets | | | |
| Cash and pooled investments | \$ 449,750 | \$ 354,464 | 26.9 |
| Cash held from seizures | 43,421 | 30,292 | 43.3 |
| Due from other governments | 105,092 | 64,660 | 62.5 |
| Capital assets | 48,649 | 28,348 | 71.6 |
| Total Assets | \$ 646,912 | \$ 477,764 | 35.4 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 6,695 | \$ 6,438 | 4.0 |
| Deferred revenue - unearned | 43,421 | 30,292 | 43.3 |
| Total Liabilities | \$ 50,116 | \$ 36,730 | 36.4 |
| Net Assets | | | |
| Invested in capital assets | \$ 48,649 | \$ 28,348 | 71.6 |
| Unrestricted | 548,147 | 412,686 | 32.8 |
| Total Net Assets | \$ 596,796 | \$ 441,034 | 35.3 |

Change in Net Assets For the Year Ended December 31

| | Change in Net Assets For the Year Ended December 31 | | Percent (%) Change |
|--|--|------------|--------------------------|
| | 2011 | 2010 | |
| Revenues | | | |
| Intergovernmental | \$ 316,366 | \$ 285,703 | 10.7 |
| Fines and forfeits - public safety | 107,616 | 99,596 | 8.1 |
| Investment income | 2,573 | 1,708 | 50.6 |
| Miscellaneous | 5,658 | 8,385 | (32.5) |
| Total Revenues | \$ 432,213 | \$ 395,392 | 9.3 |
| Expenses | | | |
| Public safety | 276,451 | 251,549 | 9.9 |
| Excess of Revenues Over (Under) Expenses | \$ 155,762 | \$ 143,843 | 8.3 |
| Net Assets - January 1 | 441,034 | 297,191 | 48.4 |
| Net Assets - December 31 | \$ 596,796 | \$ 441,034 | 35.3 |

(Unaudited)

Page 6

FINANCIAL ANALYSIS OF THE MCIU AT THE FUND LEVEL

The financial performance of the MCIU as a whole is reflected in its governmental fund as well. The General Fund, which is the only governmental fund of the MCIU, includes the primary operations of the MCIU in providing crime investigation to the citizens of Stearns, Benton, Todd, and Morrison Counties. As the MCIU completed the year, the General Fund reported a fund balance of \$548,147.

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

| Function | Year Ended December 31 | | Change | |
|-----------------------------|------------------------|------------|------------------------|----------------|
| | 2011 | 2010 | Increase (Decrease) | Percent (%) |
| | Intergovernmental | \$ 316,366 | \$ 285,703 | \$ 30,663 |
| Fines and forfeitures | 107,616 | 99,596 | 8,020 | 8.1 |
| Investment income | 2,573 | 1,708 | 865 | 50.6 |
| Miscellaneous | 5,658 | 8,385 | (2,727) | (32.5) |
| Total General Fund Revenues | \$ 432,213 | \$ 395,392 | \$ 36,821 | 9.3 |

Total General Fund revenue increased by \$36,821, or 9.3 percent, from the previous year.

The following schedule presents a summary of General Fund expenditures:

| Function | Year Ended December 31 | | Change | |
|----------|------------------------|------------|------------------------|----------------|
| | 2011 | 2010 | Increase (Decrease) | Percent (%) |
| | Public Safety | \$ 296,752 | \$ 255,342 | \$ 41,410 |

Total General Fund expenditures increased by \$41,410, or 16.2 percent, from the previous year.

CAPITAL ASSETS

The MCIU'S capital assets for its governmental activities at December 31, 2011, consist of office furniture and equipment totaling \$30,616, and machinery and automotive totaling \$18,033 (both net of accumulated depreciation). The investment in capital assets increased by \$20,301, or 71.6 percent, from the previous year. Additional information on the MCIU's capital assets can be found in note 2.C.

FACTORS BEARING ON THE MCIU'S FUTURE

The MCIU will experience some changes in the coming year as it adds the City of St. Cloud and Sherburne County to the Board. At the conclusion of the current state grant, the MCIU will be renamed the Central Minnesota Violent Offender Task Force (VOTF). This name change will reflect the current trends facing task forces in Minnesota, but the focus will remain on drug related offenses. During this change, the MCIU is also reorganizing the governing Board. Agencies that no longer provide members to the VOTF will have their voting rights removed. Those agencies that do contribute personnel will be granted voting rights during board meetings. The physical location of the VOTF will be at the St. Cloud Police Department Headquarters. These additions will increase the number of investigators by six, making a total of fifteen officers assigned to the VOTF.

The MCIU/VOTF is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that these funds will remain intact. If for some reason the 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 seizure 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 MCIU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers, with a general overview of the MCIU's finances and to demonstrate the MCIU's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lt. Gerald Edblad at 320-345-4284.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

| | General Fund | Reconciliation | Governmental Activities |
|---|-------------------------|-----------------------|------------------------------------|
| <u>Assets</u> | | | |
| Current assets | | | |
| Cash and pooled investments | \$ 449,750 | \$ - | \$ 449,750 |
| Cash held from seizures | 43,421 | - | 43,421 |
| Due from other governments | 105,092 | - | 105,092 |
| Capital assets | | | |
| Depreciable - net | - | 48,649 | 48,649 |
| Total Assets | \$ 598,263 | \$ 48,649 | \$ 646,912 |
| <u>Liabilities and Fund Balance/Net Assets</u> | | | |
| Current liabilities | | | |
| Accounts payable | \$ 6,695 | \$ - | \$ 6,695 |
| Deferred revenue - unearned | 43,421 | - | 43,421 |
| Total Liabilities | \$ 50,116 | \$ - | \$ 50,116 |
| Fund Balance | | | |
| Unassigned | 548,147 | \$ (548,147) | |
| Net Assets | | | |
| Invested in capital assets | | \$ 48,649 | \$ 48,649 |
| Unrestricted | | 548,147 | 548,147 |
| Total Net Assets | | \$ 596,796 | \$ 596,796 |
| Total Liabilities and Fund Balance/Net Assets | \$ 598,263 | \$ 48,649 | \$ 646,912 |
| Reconciliation of the General Fund Balance to Net Assets | | | |
| Fund Balance - Governmental Fund | | | \$ 548,147 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund. | | | |
| | | | 48,649 |
| Net Assets - Governmental Activities | | | \$ 596,796 |

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
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, 2011**

| | General Fund | Reconciliation | Governmental Activities |
|---|-------------------------|-----------------------|------------------------------------|
| Revenues | | | |
| Intergovernmental | \$ 316,366 | \$ - | \$ 316,366 |
| Fines and forfeitures | 107,616 | - | 107,616 |
| Investment income | 2,573 | - | 2,573 |
| Miscellaneous | 5,658 | - | 5,658 |
| Total Revenues | \$ 432,213 | \$ - | \$ 432,213 |
| Expenditures/Expenses | | | |
| Current | | | |
| Public safety | 296,752 | (20,301) | 276,451 |
| Net Change in Fund Balance/Net Assets | \$ 135,461 | \$ 20,301 | \$ 155,762 |
| Fund Balance/Net Assets - January 1 | 412,686 | 28,348 | 441,034 |
| Fund Balance/Net Assets - December 31 | \$ 548,147 | \$ 48,649 | \$ 596,796 |
| Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | | | |
| Net Change in Fund Balance | | | \$ 135,461 |
| 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. The adjustment is the net of the current year additions, deletions, and depreciation expense. | | | |
| | | | 20,301 |
| Change in Net Assets of Governmental Activities | | | \$ 155,762 |

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

The Central Minnesota Major Crime Investigation Unit's (MCIU) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the MCIU are discussed below.

A. Organization

1. General

Benton, Morrison, Stearns, and Todd Counties and the City of St. Cloud have formed a joint powers investigative unit. This unit, established in 1979, 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 has established a Board of Directors, which has general supervision over the MCIU's activities. The MCIU added a Gang Investigation Unit to the Drug Task Force during 2006.

2. Board of Directors

The Board consists of six members comprising the Sheriff of each member county, the Police Chief of the City of 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 of office and may serve more than one term.

The Board has adopted bylaws and operating rules as it has deemed necessary.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Entity

The MCIU is a separate entity independent of the city and counties that formed it. In accordance with generally accepted accounting principles, the MCIU'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 MCIU.

C. Basic Financial Statements

Basic financial statements include information on the MCIU's activities as a whole and information on the individual fund of the MCIU. 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 MCIU 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 MCIU's net assets are reported in two parts: invested in capital assets, net of related debt, and unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of the MCIU 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.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Measurement Focus and Basis of Accounting (Continued)

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 MCIU 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 MCIU's policy to use restricted resources first and then unrestricted resources as needed.

E. Assets, Liabilities, and Net Assets or Equity

1. Capital Assets

Capital assets are recorded in the governmental activities column in the statement of net assets. The MCIU 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 MCIU are depreciated using the straight-line method over an estimated five-year useful life.

2. Classification of Fund Balances

In 2011, the MCIU implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

2. Classification of Fund Balances (Continued)

Fund balance is divided into five classifications based primarily on the extent to which the MCIU 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 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 (ordinance or resolution) of the MCIU’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 (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the MCIU 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.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

2. Classification of Fund Balances (Continued)

The MCIU 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, 2011, the General Fund had \$548,147 in unassigned fund balance.

3. Classification of Net Assets

Net assets in government-wide statements are classified in the following categories:

Invested in capital assets - this classification includes the amount of net assets 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 assets - this is the amount of net assets for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law though constitutional provisions or enabling legislation.

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets.

4. 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.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Budgetary Information

The MCIU maintains five accounts: the grant account used to account for the MCIU's federal, state, and local grant proceeds; the membership account used to pay the State of Minnesota's portion of forfeitures received by the MCIU; the federal forfeiture account used to account for the federal drug forfeiture monies received by the MCIU; a program income account used to account for forfeitures and restitution monies received by the MCIU; 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 MCIU 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 MCIU is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. All MCIU deposits are required by Minn. Stat. § 118A.03 to be protected by 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.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

2. Detailed Notes on all Funds

A. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the MCIU's deposits may not be returned to it. The MCIU does not have a deposit policy for custodial credit risk. As of December 31, 2011, the bank balance of the MCIU's deposits totaled \$516,400 and was not exposed to custodial credit risk.

B. Receivables

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

C. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2011.

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Capital assets depreciated | | | | |
| Office furniture and equipment | \$ 117,396 | \$ 27,584 | \$ 24,717 | \$ 120,263 |
| Machinery and automotive | 17,000 | 9,791 | - | 26,791 |
| Total capital assets depreciated | <u>\$ 134,396</u> | <u>\$ 37,375</u> | <u>\$ 24,717</u> | <u>\$ 147,054</u> |
| Less: accumulated depreciation for | | | | |
| Office furniture and equipment | \$ 102,648 | \$ 11,716 | \$ 24,717 | \$ 89,647 |
| Machinery and automotive | 3,400 | 5,358 | - | 8,758 |
| Total accumulated depreciation | <u>\$ 106,048</u> | <u>\$ 17,074</u> | <u>\$ 24,717</u> | <u>\$ 98,405</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 28,348</u> | <u>\$ 20,301</u> | <u>\$ -</u> | <u>\$ 48,649</u> |

Depreciation expense was charged to public safety expenses in the amount of \$17,074.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

2. Detailed Notes on all Funds (Continued)

D. Risk Management

The MCIU 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 MCIU 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 MCIU could result.

F. Subsequent Event

A new Joint Powers Agreement was signed in 2012 that merged the MCIU with the City of St. Cloud task force to form the Central Minnesota Violent Offender Task Force.

This page was left blank intentionally.

**CENTRAL MINNESOTA MAJOR CRIME INVESTIGATION UNIT
ST. CLOUD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM RESOLVED

Preparation of Financial Statements (06-1)

The Central Minnesota Major Crime Investigation Unit (MCIU) needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

The MCIU provides a general ledger, accruals, and other supporting schedules necessary for preparing fund level and government-wide financial statements. The MCIU has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

This page was left blank intentionally.



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)

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Central Minnesota Violent Offender Task Force

We have audited the financial statements of the governmental activities and the General Fund of the Central Minnesota Major Crime Investigation Unit (MCIU), now operating as the Central Minnesota Violent Offender Task Force as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in contracting and bidding since those transactions are handled by Stearns County. In addition, we did not test for compliance in public indebtedness, because the MCIU has no long-term debt.

The results of our tests indicate that for the items tested, the MCIU complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Central Minnesota Violent Offender Task Force 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

September 27, 2012

Page 2