

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE

**INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
COMMENTS AND RECOMMENDATIONS**

JUNE 30, 2009

Table of Contents

Officials	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	7-9
Basic Financial Statements:	
Statement of Activities and Net Assets – Cash Basis	11
Statement of Cash Transactions	12
Notes to Financial Statements	13-14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	17-19
Schedule of Findings	20-21

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE

Executive Committee

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Ralph O'Donnell	Chairperson	Council Bluffs Chief of Police
Jeff Danker	Committee Member	Pottawattamie County Sheriff
Gene Goos	Committee Member	Mills County Sheriff
Pat Sears	Committee Member	Harrison County Sheriff
David Dollen	Unit Supervisor	Council Bluffs Police Department



Marilyn Schroer, CPA
Diane McGrain, CPA
Barbara Mass, CPA

December 2, 2009

Independent Auditors' Report

To the Members of
Southwest Iowa Narcotics Enforcement Task Force

We have audited the accompanying financial statements of the Southwest Iowa Narcotics Enforcement Task Force, as of and for the year ended June 30, 2009. This financial statements are the responsibility of Southwest Iowa Narcotics Enforcement Task Force's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 opinion.

As described in note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Southwest Iowa Narcotics Enforcement Task Force as of and for the year ended June 30, 2009, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com / e-mail mschroer@schroer-cpa.com

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Schwer & Associates, P.C.

SOUTHWEST IOWA NARCOTICES ENFORCEMENT TASK FORCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southwest Iowa Narcotics Enforcement Task Force provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Southwest Iowa Narcotics Enforcement Task Force is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The Task Force's operating receipts were approximately \$109,000 for fiscal 2009.
- The Task Force's operating disbursements were approximately \$89,000 for fiscal 2009.
- The Agency's interest income was approximately \$800 for fiscal 2009.

USING THIS ANNUAL REPORT

The Task Force has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Task Force's cash basis of accounting, revenues and expenses and the related assets and liabilities as recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Task Force's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Southwest Iowa Narcotics Enforcement Task Force's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Task Force's financial activities.
- The Statement of Activities and Net Assets – Cash Basis presents information about the activities of the Task Force as a whole and presents an overall view of the Task Force's finances.

- The statement of Cash Transactions presents information on the Task Force's operating receipts and disbursements and whether the Task Force's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Net assets serve as a useful indicator of financial position. The Task Force's cash balance increased from a year ago. The analysis that follows focuses on the changes in cash balance.

Changes in Cash Basis Net Assets

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Receipts		
Program receipts:		
Charges for services	\$ 108,851	\$ 90,030
General receipts:		
Unrestricted investment earnings	808	798
Disbursements		
General operations	<u>88,692</u>	<u>49,832</u>
Increase in cash basis net assets	20,967	40,996
Cash basis net assets beginning of year	<u>211,294</u>	<u>170,298</u>
Cash basis net assets end of year	\$ <u>232,261</u>	\$ <u>211,294</u>

Statement of Cash Transactions

The purpose of the statement is to present the receipts received by the Task Force and the disbursements paid by the Task Force.

Receipts are received for forfeitures and restitution. Disbursements are expenditures paid to operate the Organization. A summary of cash transactions for the year ended June 30, 2009 as follows:

Statement of Cash Transactions	
	Year Ended June 30, 2009
Receipts:	
Forfeiture payments	\$ 103,417
Restitution payments	3,434
Miscellaneous income	2,000
Interest on investment	808
Total Receipts	<u>\$ 109,659</u>
Disbursements:	
Buy funds	\$ 31,000
Drug testing	4,100
Equipment	28,519
Forfeiture asset sharing	9,692
Investigations	1,151
Miscellaneous	107
Office supplies	7,310
Repairs	194
Supplies	534
Utilities	6,085
Total Disbursements	<u>\$ 88,692</u>
Excess of receipts over disbursements	\$ 20,967
Cash, beginning of year	<u>211,294</u>
Cash, end of year	<u><u>\$ 232,261</u></u>

ECONOMIC FACTORS

Southwest Iowa Narcotics Enforcement Task Force continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Task Force to meet are:

- Equipment has been and will be purchased by the Task Force. It will be an ongoing challenge to maintain equipment and technology at a reasonable cost.

The Task Force anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Task Force's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Task Force's finances and to show the Task Force's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Southwest Iowa Narcotics Enforcement Task Force, Council Bluffs, IA.

BASIC FINANCIAL STATEMENTS

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
YEAR ENDED JUNE 30, 2009**

	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net Disbursements and Changes in Cash Basis Net Assets</u>
Governmental activities	\$ 88,692	\$ 108,851	\$ 20,159
General receipts			
Unrestricted interest on investments			<u>808</u>
Change in cash basis net assets			20,967
Cash basis net assets, beginning of year			<u>211,294</u>
Cash basis net assets, end of year			\$ <u>232,261</u>
Cash basis net assets			
Unrestricted			\$ <u>232,261</u>

See Notes to Financial Statement

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
STATEMENT OF CASH TRANSACTIONS
YEAR ENDED JUNE 30, 2009**

Receipts:		
Forfeiture payments	\$ 103,417	
Restitution payments	3,434	
Miscellaneous income	2,000	
Interest on investments	808	
	<u> </u>	\$ 109,659
Disbursements:		
Buy funds	31,000	
Drug testing	4,100	
Equipment	28,519	
Forfeiture asset sharing	9,692	
Investigations	1,151	
Miscellaneous	107	
Office supplies	7,310	
Repairs	194	
Supplies	534	
Utilities	6,085	
	<u> </u>	<u>88,692</u>
Excess of receipts over disbursements		20,967
Cash, beginning of year		<u>211,294</u>
Cash, end of year		\$ <u>232,261</u>

See Notes to Financial Statement

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Iowa Narcotics Enforcement Task Force was formed in 1995, pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Task Force is to exchange assistance as required to enforce the drug laws of the State of Iowa, and eradicate the drug problems in Council Bluffs, Glenwood, and the smaller communities and rural areas of Pottawattamie County, Mills County and Harrison County, Iowa. Revenues received are primarily forfeited funds arising from the activities of the Task Force.

Members of the organization consist of the Council Bluffs Police Department, the Glenwood Police Department, Mills County Sheriff's Department, Harrison County Sheriff's Department, Pottawattamie County Sheriff's Department, and the State of Iowa. The members agreed to the creation of an executive committee consisting of the Pottawattamie County Sheriff, the Mills County Sheriff, and the Council Bluffs Chief of Police. The executive committee is responsible for the administration of the agreement.

A. Reporting Entity

For financial purposes, Southwest Iowa Narcotics Enforcement Task Force has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Task Force are such that exclusion would cause the Task Force's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Task Force to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Task Force. The Task Force has no component units, which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Task Force are organized as a Governmental Fund. Governmental fund activities are supported by intergovernmental revenues and other operating grants. The Task Force has a general operating fund. All receipts are accounted for in this fund. From this fund are paid the general operating disbursements, fixed charges and capital improvement costs. All net assets are considered unrestricted.

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Southwest Iowa Narcotics Enforcement Task Force maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Task Force are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operation of the Task Force in accordance with U.S. generally accepted accounting principles.

D. Budget Information

Southwest Iowa Narcotics Enforcement Task Force is not legally required to adopt a budget.

NOTE 2 CASH AND INVESTMENTS

The Task Force's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Task Force is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Task Force; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Task Force had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The Task Force's cash at June 30, 2009, consisting of cash in bank, totaled \$232,261.

NOTE 3 OTHER ASSETS

The Task Force does not hold the title to any other assets considered to be seized property that have not yet been converted to cash.

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2009**

NOTE 4 RISK MANAGEMENT

According to the 28E Agreement, any claims or lawsuits arising out of the activities of the Task Force shall be defended by the member from the jurisdiction in which the incident occurred which gave rise to the claim and/or lawsuit. This member shall also indemnify, defend, and hold the other members harmless from any and all claims, lawsuits and liability.

NOTE 5 SUBSEQUENT EVENTS

In September 2009, the board approved the purchase of two new vehicles. This purchase of the two new vehicles will occur in May 2010.

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE



Marilyn Schroer, CPA
Diane McGrain, CPA
Barbara Mass, CPA

December 2, 2009

Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Members of
Southwest Iowa Narcotics Enforcement Task Force

We have audited the accompanying financial statement of cash transactions of the Southwest Iowa Narcotics Enforcement Task Force, as of and for the year ended June 30, 2009, which comprise the Task Force's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2009. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified control deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com / e-mail mschroer@schroer-cpa.com

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southwest Iowa Narcotics Enforcement Task Force's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of Southwest Iowa Narcotics Enforcement Task Force's financial statements that is more than inconsequential will not be prevented or detected by Southwest Iowa Narcotics Enforcement Task Force's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southwest Iowa Narcotics Enforcement Task Force's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency, item I-A-09, described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Narcotics Enforcement Task Force's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Task Force's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Task Force. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southwest Iowa Narcotics Enforcement Task Force's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Task Force's responses, we did not audit Southwest Iowa Narcotics Enforcement Task Force's responses and, accordingly, we express no opinion on them.

Continued...

December 2, 2009
Southwest Iowa Narcotics Enforcement Task Force
Report on Compliance and Internal Control

This report, a public record by law, is intended solely for the information and use of the members of Southwest Iowa Narcotics Enforcement Task Force and other parties to whom the Task Force may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southwest Iowa Narcotics Enforcement Task Force during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schraer & Associates, P.C.

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally one individual has control over depositing, posting and reconciling of receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this. The executive committee reviews all financial transactions.

Conclusion – Response acknowledged. The Task Force should segregate duties to the extent possible with existing personnel.

- I-B-09 Financial Reporting – During the audit, we identified mispostings of disbursements to receipts accounts. Adjustments were subsequently made by the Task Force to properly report the amounts in the Task Force's financial statements.

Recommendation – The Task Force should implement procedures to insure all receipts and disbursements are properly classified.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget

Southwest Iowa Task Force is not legally required to adopt a budget.

II-B-09 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense

No disbursements of Task Force's money for travel expenses of spouses of Task Force officials or employees were noted.

II-D-09 Business Transactions

No business transactions were noted between the Task Force and Task Force officials or employees.

II-E-09 Board Minutes

Southwest Iowa Task Force is not legally required to publish board minutes.

II-F-09 Deposits and Investments

Comment - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the Task Force has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Recommendation – The Task Force should adopt a written investment policy that complies with the Code of Iowa.

Response – We will adopt an investment policy accordingly.

Conclusion – Response accepted.