SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE

INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE

Executive Committee

Name	Title	Representing
Tim Carmody	Chairperson	Council Bluffs Chief of Police
Jeff Danker	Committee Member	Pottawattamie County Sheriff
Eugene Goos	Committee Member	Mills County Sheriff
Pat Sears	Committee Member	Harrison County Sheriff
Robert Brietzke	Unit Supervisor	Council Bluffs Police Department

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

November 13, 2015

Independent Auditors' Report

To the Members of
Southwest Iowa Narcotics Enforcement Task Force

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwest Iowa Narcotics Enforcement Task Force, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Task Force's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

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the Task Force's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 10, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 13, 2015 on our consideration of Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting and on 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* in considering Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting and compliance.

Schoen & Associates, PC

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 is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Task Force's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The Task Force's operating receipts were $315,400 for fiscal 2015.
- The Task Force's operating disbursements were $100,760 for fiscal 2015.
- The Task Force's total cash basis net position increased $214,640 from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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 Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the Task Force as a whole and presents an overall view of the Task Force's finances.

The Fund Financial Statement tells how government services were financed in the short term as well as what remains for future spending. The Fund financial statement reports the Task Force's operations in more detail than the government-wide financial statement.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

BASIS OF ACCOUNTING

The 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 financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE TASK FORCE'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the Task Force's finances is, "Is the Task Force as a whole better off or worse off as a result of the year's activities13" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the Task Force's net position. Over time, increases or decreases in the Task Force's net position may serve as a useful indicator of whether the financial position of the Task Force is improving or deteriorating.

Fund Financial Statement

A governmental fund accounts for the Task Force's basic services. This focuses on how money flows into and out of that fund and the balances at year-end that are available for spending. The governmental fund financial statement provides a detailed, short-term view of the Task Force's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Task Force's programs.

The required financial statement for the governmental fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Task Force's cash balance for governmental activities increased approximately $214,600 from a year ago. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental activities (Expressed in Thousands)		
		Year ended June 30, 2015
Receipts		
Program receipts:		
Charges for services	$	314
General receipts:		
Other general receipts		1
Total receipts		315
Disbursements		
Current operating		101
Change in cash basis net position		214
Cash basis net position beginning of year		310
Cash basis net position end of year	$	524

GOVERNMENTAL FUND ANALYSIS

As Southwest Iowa Narcotics Enforcement Task Force completed the year, its governmental fund reported a combined fund balance of $524,336, and increase of more than $214,000 above last year's total of $309,696. The major reason for the change in fund balance from the prior year was the collection of more forfeiture payments and auction proceeds.

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 TASK FORCE'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
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Disbursements	Program Receipts Charges for Services	Net Receipts and Changes in Cash Basis Net Position
Governmental activities	$ 100,760	314,957	214,197
General receipts			
Unrestricted interest on investments			443
Change in cash basis net position			214,640
Cash basis net position beginning of year			309,696
Cash basis net position end of year			$ 524,336
Cash Basis Net Position			
Unrestricted			$ 524,336

See Notes to Financial Statement

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Receipts:		
Forfeiture payments	$ 235,246	
Restitution payments	5,504	
Auction proceeds	74,207	
Interest on investments	443	
		315,400
Disbursements:		
Accounting	1,250	
Buy funds	23,801	
Drug testing	3,660	
Equipment	44,762	
Forfeiture asset sharing	13,597	
Miscellaneous	1,476	
Office supplies	5,657	
Training	1,165	
Utilities	5,392	
		100,760
Change in cash balances		214,640
Cash balances beginning of year		309,696
Cash balances end of year		$ 524,336
Cash Basis Fund Balances		
Unassigned		$ 524,336

See Notes to Financial Statement

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2015

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 Task Force 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, the Harrison 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 Task Force 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Task Force. Net position is reported as unrestricted.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statement – The General Fund is the general operating fund of the Task Force. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs.

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. Governmental Cash Basis Fund Balance

In the governmental fund financial statement, the cash basis fund balance is classified as unassigned since there are no constraints placed on the use of resources.

E. 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, 2015 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, 2015, consisting of cash in bank, totaled $524,336.

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.

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 FIDUCIARY CAPACITY

The Task Force also acts in a fiduciary capacity for the Pottawattamie County Sheriff Department in collecting and remitting forfeiture payments. The Task Force receives 10% of all settled forfeiture payments that it collects. The amount the Task Force holds in funds due to the County Sheriff is $548,842. Below is a schedule of changes in fiduciary assets held:

Balance, beginning of year	$	548,482
Additions:		
Forfeitures		1,398,942
Interest		590
		1,399,532
Deductions:		
Forfeiture asset sharing		1,301,144
Balance, end of year	$	646,870

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

November 13, 2015

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, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the Southwest Iowa Narcotics Enforcement Task Force's basic financial statements and have issued our report thereon dated November 13, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other the U.S generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Iowa Narcotics Enforcement Task Force's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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.

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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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency I-A-15, described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Narcotics Enforcement Task Force's financial statement is free from 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.*

Southwest Iowa Narcotics Enforcement Task Force's Response to Findings

Southwest Iowa Narcotics Enforcement Task Force's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southwest Iowa Narcotics Enforcement Task Force's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

November 13, 2015
Southwest Iowa Narcotics Enforcement Task Force
Report on Compliance and Internal Control

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Task Force's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Albaugh & Associates, PC

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties

Comment – 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, check writing and reconciling.

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

Response – We will consider this. The administrative assistant reviews bank reconciliations and 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-15 Computer Backups

Comment – We noted backups of computer information are made and left on site.

Recommendation – The Task Force should take backups for multiple periods such as end of month, end of quarter, and end of year, and they should be taken off site.

Response – We will do this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SOUTHWEST IOWA NARCOTICS ENFORCEMENT TASK FORCE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget

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

II-B-15 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-15 Travel Expense

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

II-D-15 Business Transactions

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

II-E-15 Board Minutes

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

II-F-15 Deposits and Investments

We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa.