

COLORADO INFORMATION SHARING CONSORTIUM

BASIC FINANCIAL STATEMENTS

December 31, 2016



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COLORADO INFORMATION SHARING CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) is designed to provide an overview of the financial activities of the Colorado Information Sharing Consortium for the fiscal year ended December 31, 2016. The MD&A should be read in conjunction with the Consortium's financial statements.

Financial Highlights

- Total assets of the Consortium at the close of 2016 were \$115,682. The assets include \$114,472 in cash and cash equivalents.
- Total Net Position for 2016 was \$113,122 compared to \$289,048 for 2015.
- Total revenue for the year was \$727,282.
- Total budgeted expenses for 2016 were \$910,728. Actual cash/direct expenses were \$903,208: a favorable variance of \$7,520.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Consortium's basic financial statements. The basic financial statements are comprised of proprietary fund financial statements, and notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances in a manner similar to private-sector businesses.

The statement of net position provides information regarding all of the Consortium's assets, liabilities, and fund equity. Historically, changes (increases or decreases) in fund equity may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The balance sheet is displayed **on page two** of the independent auditor's report.

The statement of revenues, expenses and changes in net position provides information regarding the changes in net position during the course of the past year. Revenues are

recorded as they are earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Proprietary Fund Financial Statements

A fund is a group of accounts used to maintain control of services that have been set aside for specific activities or objectives. The Consortium uses general fund accounting to account for all financial activities and to ensure and demonstrate compliance with finance related legal requirements.

The Consortium used only one fund for the 2016 fiscal budget year. It is a proprietary fund and it is intended to account for all financial resources associated with the operating activities of the Consortium. There were no capital funds, public utilities trust funds, personnel and benefits funds or any other funds actively used during 2016.

Notes to Financial Statements

The notes provide detailed clarifying additional information necessary for a complete understanding of the data contained in the government-wide and fund financial statement.

Financial Analysis

In 2014 the Colorado Information Sharing Consortium was created to facilitate the sharing of data and intelligence among law enforcement agencies throughout the State of Colorado and with other jurisdictions across the country. The Intergovernmental Agreement includes participants from cities, towns and counties throughout the State. The Consortium collects revenue through fees charged to each member agency based on the agency's size.

The funds are used to pay for software licenses, data sharing and storage, and operating costs.

The details within the balance sheet may serve as a useful indicator of the Consortium's financial position.

The Consortium does not have any adjustments to the basic financial statements for capital assets or debt. The 2016 financial information can be compared to 2015.

As of December 31

	<u>2015</u>	<u>2016</u>
Assets		
Total Assets	\$ 290,938	\$115,682
Cash and Cash Equivalents	290,938	115,682
Liabilities		
Total Liabilities	1,890	2,560
Revenues		
Total Revenue	320,768	727,282
Expenses		
Total Expenses	453,494	903,208
Change in Net Assets		
Total Change	(132,726)	(175,296)
Net Assets		
End of Year	\$ 290,938	\$ 113,122

Proprietary Fund

The proprietary fund was established and continually funded to account for all financial resources related to the operating activities of the Consortium. The primary funding source for the proprietary fund is membership fees collected from all participating entities. The year-end net position for 2016 was \$113,122. This represents a decrease of \$175,926 from the 2015 fund balance of \$289,048.

The Consortium operated within the proprietary fund budget in 2016. The difference between the budgeted expenditures of \$910,728 and the actual expenditures of \$903,208 was \$7,520. Actual revenues of \$727,282 represent a decrease from budgeted revenues of \$732,049 a decrease of \$4,767.

Factors affecting the Consortium

In 2016, the Consortium Board of Directors indicated a need for change in the Consortium/vendor relationship. Since 2007, the Consortium has provided Members with enterprise licenses for a single data sharing and analysis program. Four "nodes" contained a working copy of Consortium Member criminal justice data, combined with vendor-owned computer code. This arrangement allowed for the secure sharing and

analysis of the data by all authorized Member employees and approved out-of-state partner law enforcement groups.

Over time the Consortium began developing concerns with the arrangement. Program use dropped significantly. Certain issues prevented data sharing with desired partners. Member's perceived returns on investment dropped sharply. And Members felt the quality of software, services, and the vendor relationship all measurably declined. As planned, in 2016, to address these deepening concerns, the Board of Directors opted to contract for the creation of a secure, vendor-independent, regional data warehouse (RDW); one controlled by the Consortium, not vendors. It also decided to pay for this change from existing fund balances rather than charging additional Member fees. The data transition began in June, and the contract with the former vendor ended on December 31. The RDW now allows Members to have access to many data sharing and analysis vendors and preferred programs once contracts for those services have been completed. Enterprise licensing is now a Member option rather than a Consortium standard. It also allows Board authorized data sharing with national law enforcement partners like the Naval Criminal Investigative Service (NCIS) Law enforcement Information eXchange (LInX), for which the CISC Board serves as its Rocky Mountain Regional Governance Board, adding two additional Board members for NCIS and military member representation.

Member budgeting recommendations did not change for 2017. However, a significant portion of the budgeted amount they were accustomed to in 2015 remained in the control of the Members to spend (or not) in 2017 on data sharing and analysis services they (and not the CISC) identify and prefer. The CISC continues to negotiate with multiple vendors to provide extended-term, CISC-wide data sharing and analysis services and pricing; this to ensure program quality, economy and broad selection. Members continue to expect to realize many positive results. Chief among them are increased service to and safety of the citizens they serve.

The transition from the four "nodes" to a single "Regional Data Warehouse" (RDW) has been challenging. Assistance required from Member Agency Information Technology teams required more time and effort than initially expected due to the complexity of the effort. The Colorado company host of the RDW, Numerica Corporation, has provide valuable and collaborative service and communication, doing whatever has been required to get CISC agency data integrated by established deadlines. Several new entities/agencies have joined (and one or two former Member Agencies rejoined) the CISC, expanding the number of certified law enforcement officers served and further expanding the ability of all Member Agencies to meet citizen needs. Contracts with one services vendor and one corporate services entity have or will soon expand Member data access and analysis choice.

The CISC envisions and is experiencing 2017 as a year of settling into the new, Member-controlled RDW, increased membership, increased available data, enhanced service and vendor/software choice. Legislative efforts to provide financial assistance for agencies seeking membership and data integration are already underway with the main effort to advance in 2018. Contract negotiations continue to occur, developing positive relationships and quality results.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Consortium's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

David Shipley, CISC Manager
Colorado Information Sharing Consortium
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Aurora, CO 80012-1554

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MEMBER OF
AMERICAN INSTITUTE OF CPAs
COLORADO SOCIETY OF CPAs

ROBERT R. FEIS, CPA

Independent Auditors' Report

Board of Directors
Colorado Information Sharing Consortium
332 N. 19th Ave
Brighton, CO 80601

We have audited the accompanying basic financial statements of Colorado Information Sharing Consortium (the Consortium) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Consortium'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 an opinion 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 entity'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 entity'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 opinion.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Colorado Information Sharing Consortium as of December 31, 2016, and the changes in financial position, and cash flows thereof for the year then ended, in conformity 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 on pages i through v be presented to supplement the basic financial statements. Such information, although not a 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Consortium's basic financial statements as a whole. The Other Supplementary information on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information 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 them.

Feis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

July 25, 2017

**COLORADO INFORMATION SHARING CONSORTIUM
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016**

ASSETS

		<u>2016</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$	114,472
Accounts receivable		1,210
Prepaid expenses		-
Total Current Assets		<u>115,682</u>
Total Assets	\$	<u><u>115,682</u></u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$	<u>2,560</u>
Total Current Liabilities		<u>2,560</u>
Total Liabilities		<u>2,560</u>
Net Position		
Net Position		
Unrestricted		<u>113,122</u>
Total Net Position		<u>113,122</u>
Total Liabilities and Net Position	\$	<u><u>115,682</u></u>

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements

**COLORADO INFORMATION SHARING CONSORTIUM
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 DECEMBER 31, 2016**

	2016
Revenues:	
Membership fees	\$ 727,282
Other income	-
Total Revenue	727,282
 Operating Expenses:	
Software fees and maintenance	749,714
Training	4,518
Administrative	148,976
Other expenses	-
Total Operating Expenses	903,208
Change in net position	(175,926)
Net Position, Beginning of Year	289,048
Net Position, End of Year	\$ 113,122

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements

**STATEMENT
OF
CASH FLOWS**

**COLORADO INFORMATION SHARING CONSORTIUM
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
DECEMBER 31, 2016**

DIRECT METHOD

	<u>2016</u>
Cash flows from operating activities:	
Cash received	\$ 726,072
Interest income received	-
Payments to vendors	(902,538)
Interest expense paid	-
	<hr/>
Net cash provided (used) by operating activities	<u>(176,466)</u>
Cash flows provided (used) for investing activities:	
Purchases of equipment	-
	<hr/>
Net cash provided (used) by investing activities	<u>-</u>
Cash flows provided (used) by financing activities	
Principal payments on long-term debt	-
	<hr/>
Net cash provided (used) by financing activities	<u>-</u>
Net increase (decrease) in cash	(176,466)
Cash, beginning of year	<u>290,938</u>
Cash, end of year	\$ <u><u>114,472</u></u>

**Reconciliation of Net Cash Provided (used) by
Operating Activities to Increase (decrease) in Net Position**

	<u>2016</u>
Increase (decrease) in Net Position	\$ (175,926)
Adjustment to Reconcile Net Income to Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts receivable - (increase) decrease	(1,210)
Prepaid expenses - (increase) decrease	-
Accounts payable - increase (decrease)	<u>670</u>
Net cash provided by operating activities	\$ <u><u>(176,466)</u></u>

See independent auditors' report.
The accompanying notes are an integral
part of the financial statements

**COLORADO INFORMATION SHARING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During 2014, pursuant to Article 11, Title 29 of the Colorado Revised Statutes, the following entities--Adams County Sheriff's Office, Arapaho County Sheriff's Office, the Colorado Department of Public Safety of the State of Colorado, the Cities of Aurora, Colorado Springs, Commerce City, and Grand Junction, the City and County of Denver, the Douglas County Sheriff's Office, and the Boards of County Commissioners of the Counties of Jefferson and Mesa--entered into an intergovernmental agreement and established the Colorado Information Sharing Consortium (the Consortium). The Consortium was created to facilitate the sharing of data and intelligence among law enforcement agencies throughout the State of Colorado and with other jurisdictions across the country. The Board of Directors is comprised of 11 members, as chosen by the member entities. All members of the Board of Directors are employees of the member entities.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which are applicable to governmental entities.

The following is a summary of significant accounting policies:

A. Principles Determining Scope of Reporting Entity

The financial statements of the Consortium consist only of the funds and account groups of the Consortium. The Consortium has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Consortium. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and election of the respective governing board. Therefore in accordance with Governmental Accounting Standards Board Statement #14, the Consortium is considered a stand-alone entity for financial reporting purposes.

B. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e. the statement of activities) report information on all of the non-fiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

See independent auditors' report.

**COLORADO INFORMATION SHARING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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 the related cash flows. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Accounting

The accounts of the Consortium are organized on the basis of funds and account groups. Each fund and account group is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording assets together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following funds were used by the Consortium during 2016:

PROPRIETARY FUND

Colorado Information Sharing Consortium - To account for all financial resources associated with the operating activities of the Consortium.

C. Measurement Focus and Basis of Accounting

Measurement Focus

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

See independent auditors' report.

**COLORADO INFORMATION SHARING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is used for reporting purposes of the proprietary fund of the Consortium. Under the accrual method of accounting, revenues and the related assets are reported when they are earned, regardless of when they are received and expenses and the related liabilities are reported when they are incurred, regardless of when they are paid.

Encumbrance accounting is not used.

The Consortium prepares its budget on a basis consistent with generally accepted accounting principles and Colorado Revised Budgetary Statutes. All annual appropriations are at the total fund level and lapse at fiscal year-end.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Consortium considers all highly liquid debt instruments purchased with a maturity of six months or less to be cash equivalents.

E. Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

2. CASH AND DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

See independent auditors' report.

**COLORADO INFORMATION SHARING CONSORTIUM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

2. CASH AND DEPOSITS (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Consortium’s deposits may not be returned to it. As of year-end the Consortium’s bank balance was insured, collateralized with securities of the financial institution’s trust or collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2016, the Consortium's cash deposits had a carrying balance of \$114,472 and corresponding bank balances as follows:

	<u>2016</u>
Insured deposits	\$ 114,472
Uninsured: Collateralized by financial institution	---
Deposits Collateralized in Single institution pool (s)	<u>---</u>
Total cash and cash equivalents	\$ <u>114,472</u>

The bank balance of the deposits listed above are classified in three categories of credit risk as follows: a) Uncollateralized; b) Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name; c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

3. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions and natural disasters for which the Consortium carries commercial insurance. There have been no significant reductions in coverage from the prior year and to date there have been no claims made against the Consortium. The Consortium is subject to the Colorado Governmental Immunity Act, CRS 24-10-101, et. Seq.

See independent auditors’ report.

**COLORADO INFORMATION SHARING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. Based on the structure of the Consortium as a "quasi-governmental" entity and restriction of financial activities, including the lack of ability to assess and collect tax revenue, the Consortium does not believe that it is directly subject to the "TABOR" limitations.

5. SUPPLEMENTAL BUDGET

For the year ended December 31, 2016, the Consortium issued a resolution to appropriate additional funds for software licenses and data warehousing from reserves totaling \$267,627. This increased total appropriated expenditures from \$643,101 to \$910,728.

6. SUBSEQUENT EVENTS

The Consortium has adopted the provisions of Statement of Financial Accounting Standards Codification 855, *Subsequent Events*. This statement requires management to evaluate, through the date the financial statements are issued or are available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Consortium's financial statements were available to be issued on July 25, 2017 and this is the date through which subsequent events were evaluated. The Consortium did not identify any subsequent events requiring disclosure.

See independent auditors' report.

**OTHER SUPPLEMENTAL
INFORMATION**

COLORADO INFORMATION SHARING CONSORTIUM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
DECEMBER 31, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Membership fees	\$ 582,408	\$ 732,049	\$ 727,282	\$ (4,767)
Other income	-	-	-	-
Total Revenue	<u>582,408</u>	<u>732,049</u>	<u>727,282</u>	<u>(4,767)</u>
Operating Expenses:				
Software fees and maintenance	491,301	754,766	749,714	5,052
Training	7,500	5,062	4,518	544
Administrative	144,300	150,900	148,976	1,924
Other expenses	-	-	-	-
Total Operating Expenses	<u>643,101</u>	<u>910,728</u>	<u>903,208</u>	<u>7,520</u>
Change in net position	(60,693)	(178,679)	(175,926)	2,753
Net position, Beginning of Year	<u>289,048</u>	<u>289,048</u>	<u>289,048</u>	-
Net position, End of Year	<u>\$ 228,355</u>	<u>\$ 110,369</u>	<u>\$ 113,122</u>	<u>\$ 2,753</u>

See independent auditors' report.
The accompanying notes are an integral
part of the financial statements