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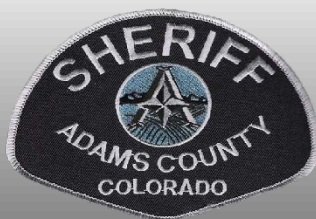
Office of the State Auditor

May 25, 2018

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North Metro Task Force

Financial Statements For the Year Ended
December 31, 2017



***NORTH METRO TASK FORCE
FINANCIAL STATEMENTS***

*For the Year Ended
December 31, 2017*

**Prepared by:
Finance Department
City of Westminster
Host Agency for the North Metro Task Force
Tammy A. Hitchens, CPA, CPFO
Treasurer**

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**North Metro Task Force
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Independent Auditor's Report

Governing Board
North Metro Task Force
Westminster, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Metro Task Force (the Task Force), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Task Force's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Metro Task Force as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Task Force's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Governing Board
North Metro Task Force

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of the 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 effectiveness of the Task Force's 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 the Task Force's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
April 26, 2018

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Management's Discussion and Analysis (Unaudited)

This discussion and analysis of the Task Force's financial statements for the year ended December 31, 2017 provides a narrative overview of the Task Force's financial activities. Readers are encouraged to consider the information presented here in conjunction with the financial statements, which follow this section. This overview and analysis is required by accounting principles generally accepted as prescribed by Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

The Task Force

The Task Force was established as a separate and legal entity through an intergovernmental agreement among the participating entities:

- Adams County
- City of Brighton
- City and County of Broomfield
- City of Commerce City
- City of Federal Heights
- City of Northglenn
- City of Thornton
- City of Westminster

The primary purpose of the Task Force is to collaboratively identify, investigate and prosecute individuals and groups involved in illegal trafficking of drugs and other criminal enterprises. A Governing Board, which is comprised of the chief law enforcement officer from each of the above participating jurisdictions, establishes policy, approves procedures and oversees operational and administrative matters of concern to the Task Force.

Financial Highlights

- As discussed in the notes to the financial statements, the Board of Governors approved the second amendment to the intergovernmental agreement establishing the North Metro Task Force as a separate legal entity on May 28, 2015. This amendment provided for the Task Force to change from a fiscal reporting year of October 1 to September 30 to a calendar year. This financial report includes the 12 month period covering January 1, 2017 to December 31, 2017. However, comparisons represent 15 months for the period ending December 31, 2016.
- The assets of the Task Force exceeded its liabilities at the close of the most recent fiscal period by \$1,123,387. Of this amount, \$313,049 is unrestricted and may be used to meet any ongoing obligations to citizens and creditors.
- The net position increased by \$46,437 over the course of the year.
- The Task Force's Governmental Activities revenues were \$1,465,224. The largest revenue source is forfeitures (\$523,645), followed by contributions from participating agencies and assets acquired through the federal asset forfeiture program (\$455,846) followed by grants (\$384,001), intergovernmental (\$54,581), miscellaneous (\$38,188) and sale of asset (\$8,963).
- The Task Force's Governmental Expenses for Public Safety activities were \$1,418,787.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Task Force's basic financial statements. The Task Force's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad view of the Task Force's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Task Force's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Task Force is improving or deteriorating.

Analysis of Net Position

Table 1 presents an analysis of the Task Force's net position between fiscal year ends. The Task Force's assets exceeded its liabilities by \$1,123,387 at December 31, 2017. Total net position increased by \$46,437, or 4.3%, in 2017. The increase is comprised of the following:

Total assets increased \$91,046, or 7.5%, to \$1,305,109. This change included an increase in current assets of \$99,164 and a decrease in capital assets of \$8,118. The increase in current assets was primarily due to the increase in forfeitures received and funding for reimbursement of overtime expenses incurred in joint law enforcement operations.

Depreciation of \$20,958 was recognized in 2017 while \$5,050 in capital assets were purchased and \$8,000 in capital assets were contributed through seizures.

Total liabilities increased \$44,609, or 32.5%, to \$181,722. This change related primarily to an increase in the amount due to the participating agencies for overtime reimbursement.

Table 1: Net Position as of December 31

	Governmental activities	
	2017	2016
Current assets	\$ 1,270,724	\$ 1,171,560
Capital assets	34,385	42,503
Total assets	1,305,109	1,214,063
Current liabilities	181,722	137,113
Total liabilities	181,722	137,113
Net position		
Net investment in capital asset	34,385	42,503
Restricted	775,953	617,221
Unrestricted	313,049	417,226
Total net position	\$ 1,123,387	\$ 1,076,950

Analysis of Changes in Net Position

The statement of activities presents information showing how the Task Force's net position changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Table 2 presents a condensed summary of activities and changes in net position with a comparison to the prior fiscal year. Net position of the Task Force increased by \$46,437 in 2017 from 2016.

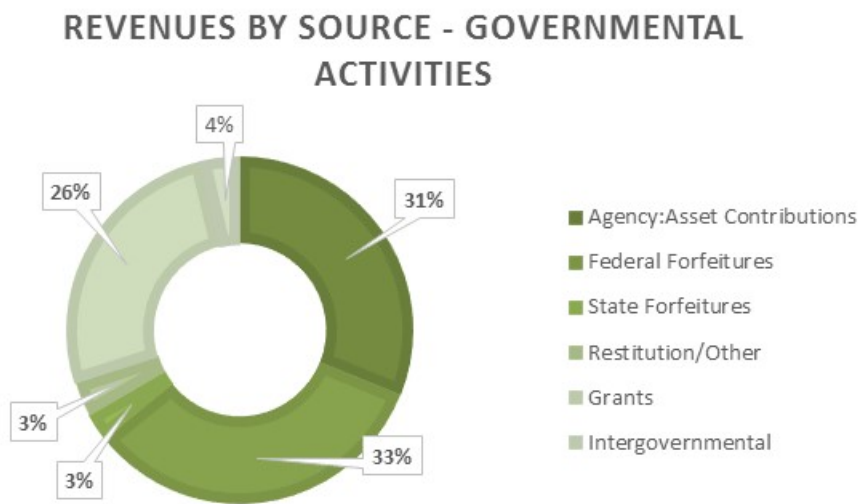
Governmental activities revenue increased \$131,434 in 2017 from 2016. This change is primarily attributed to increases in revenue realized from court decisions to share federal forfeitures and an increase in intergovernmental revenue received for reimbursement of overtime expenses incurred in joint law enforcement operations. Miscellaneous revenue consists of restitution and other receipts.

Governmental activities expenses decreased \$45,339 in 2017 from 2016. The decrease is attributable to a decrease in Public Safety expenses for the additional three months included in the transition period in 2016.

Table 2: Changes in Net Position
For Period Ended December 31

	Governmental activities	
	2017	2016
Revenues:		
Contributions	\$ 455,846	\$ 488,795
Forfeitures	523,645	238,271
Grants	384,001	484,700
Gain on sale of assets	8,963	-
Intergovernmental	54,581	-
Miscellaneous	38,188	122,024
Total revenues	1,465,224	1,333,790
Expenses:		
Public safety	1,418,787	1,464,126
Total expenses	1,418,787	1,464,126
Increase (decrease) in net position	46,437	(130,336)
Net position, Beginning	1,076,950	1,207,286
Net position, Ending	\$ 1,123,387	\$ 1,076,950

The chart below illustrates the Task Force’s governmental activities revenues by source. These revenues are used to support Task Force daily operations.



Governmental fund financial statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the Task Force's General Fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Task Force's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only operating fund of the Task Force. As of the end of the current fiscal year, the Task Force general fund reported an ending fund balance of \$1,078,358, an increase of \$130,691 in comparison with the prior period as a result of revenues exceeding expenditures.

Revenue for the General Fund increased \$174,617 or 12.8%, compared to the prior period. The increase was a result of several factors including an increase in federal forfeitures, a direct reimbursement of overtime costs and an additional grant award for the investigation of a drug trafficking organization. Expenditures decreased \$47,429 or 3.3% compared to the prior period. The decrease was a primarily the result of the expenses incurred for the additional three months in the prior reporting period.

At the end of the year, the unassigned fund balance of the Task Force was \$244,946, which is available for spending at the Task Force's discretion. As a measure of the fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17.5% of total actual General Fund expenditures.

Budgetary Highlights

Actual budgetary revenues were over budgetary estimates by \$61,651. It is important to note that the Task Force does not budget for anticipated current year receipts of forfeitures and restitution. Instead unspent prior year forfeitures, referred to as fund balance, are appropriated as necessary to fund operations. The Task Force budget appropriations for the current year anticipated the use of fund balance in the amount of \$647,014.

Expenditures were less than appropriations by \$205,286. This difference is a result of grant expenditures related to overtime being less than anticipated due to the funds received from the Organized Crime Drug Enforcement Task Forces (OCDETF), a reduction in the reimbursement of personnel costs to a participating agency due to a staffing vacancy and insurance and liability costs were lower than anticipated.

When taking into consideration the use of fund balance, total actual revenues and expenditures were over budgetary revenues, fund balance and expenditures by \$276,110.

Capital Assets

The Task Force's investment in capital assets as of December 31, 2017 amounts to \$34,385 (net of accumulated depreciation). This investment in capital assets includes improvements to land, equipment and vehicles.

Governmental capital assets had a net decrease in the current year of \$8,118. In 2017, the Task Force purchased a dump trailer for transporting evidence, received a vehicle through forfeiture and disposed of obsolete assets.

The following table provides a summary of the investment in capital assets (net of accumulated depreciation) and a comparison to the prior year:

Table 3: Capital Assets as of December 31
(Net of Accumulated Depreciation)

	Governmental activities	
	2017	2016
Land improvements	\$ 3,942	\$ 4,324
Equipment	15,398	30,917
Vehicles	15,045	7,262
Capital assets, net	<u>\$ 34,385</u>	<u>\$ 42,503</u>

Plans and Budget for 2018

The Task Force continues to have a positive impact with its efforts to eliminate or reduce the drug impact to the communities, Adams and Broomfield counties, and the north metro Denver area. The Task Force has taken significant steps towards reducing the negative impact that illicit drugs have on the quality of life for the citizens in these counties. The Task Force is committed to public education on drug abuse, impaired driving, and the effects on children living in drug environments, and participates in several educational programs. The Task Force works cooperatively with gang enforcement units and school resource officers throughout their jurisdictions to identify and eradicate the sales of dangerous drugs in the community.

In 2018, the Task Force will further partner with the Drug Enforcement Administration (DEA) by continuing the assignment of a full time Task Force officer to DEA's Financial Investigation Team (FIT). This partnership not only provides additional available resources to the Task Force to investigate the financial aspect of drug related crimes, but also allows further asset sharing. Ultimately this partnership allows the Task Force to receive a percentage share of the FIT group seizures as well as the potential for sharing with other groups on combined operations.

The Task Force's Governing Board adopted the 2018 budget on October 26, 2017. Highlights of the 2018 budget include the following:

- Projected revenues, which include agency contributions, Rocky Mountain High Intensity Drug Trafficking Area (HIDTA) grant funds and available fund balance are estimated at \$1,303,230.
- Projected expenditures, which include contract services, detective overtime, administrative costs, training and travel, insurance, utilities, equipment, rentals and leases and other miscellaneous costs are estimated at \$1,303,230.
- In 2017, Colorado House Bill (HB) 17-1313 was signed into law. This HB requires the establishment of a committee to approve the use of seizure funds, established annual reporting requirements related to seizures and prohibits the receipt of forfeiture funds from the federal government unless the

aggregate net equity value of the property and currency seized in a case is in excess of \$50,000 and the federal government commences a forfeiture proceeding that relates to a filed criminal case. Staff anticipates that this HB will not have a material impact on the 2018 Task Force budget.

Contacting the Task Force's Financial Management

The financial report is designed to provide a general overview of the Task Force's finances for all those with an interest in the government's finances and to show the Task Force's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tammy Hitchens, CPA, CPFO, Treasurer as follows:

North Metro Task Force
c/o City of Westminster
9110 Yates Street
Westminster, CO 80031
303-658-2036
thitchen@cityofwestminster.us

North Metro Task Force
Governmental Fund Balance Sheet/Statement of Net Position
December 31, 2017

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 488,501	\$ -	\$ 488,501
Receivables			
Accounts receivable	34,498	-	34,498
Grants receivable	102,779	-	102,779
Prepaid Items	7,459	-	7,459
Restricted Assets:			
Cash and cash equivalents	637,487	-	637,487
Capital Assets:			
Depreciable land improvements, net	-	3,942	3,942
Depreciable property & equipment, net	-	30,443	30,443
	<u>1,270,724</u>	<u>34,385</u>	<u>1,305,109</u>
Total assets			
LIABILITIES			
Accounts payable	37,706	-	37,706
Due to other governments	144,016	-	144,016
Total liabilities	<u>181,722</u>	<u>-</u>	<u>181,722</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>10,644</u>	<u>(10,644)</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Nonspendable			
Prepaid items	7,459	(7,459)	-
Restricted			
Emergencies - TABOR	16,133	(16,133)	-
Public Safety	759,820	(759,820)	-
Assigned			
Public Safety	50,000	(50,000)	-
Unassigned	244,946	(244,946)	-
Total fund balance	<u>1,078,358</u>	<u>(1,078,358)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,270,724</u>		
Net Position			
Net investment in capital assets		34,385	34,385
Restricted		775,953	775,953
Unrestricted		313,049	313,049
Total net position		<u>\$ 1,123,387</u>	<u>\$ 1,123,387</u>

The accompanying notes are an integral part of these financial statements.

North Metro Task Force
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the year ended December 31, 2017

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
REVENUES			
Contributions	\$ 447,846	\$ 8,000	\$ 455,846
Intergovernmental	54,581	-	54,581
Restitution	4,244	-	4,244
Forfeitures	523,645	-	523,645
Grants	460,137	(76,136)	384,001
Interest and other	33,944	-	33,944
Total revenues	<u>1,524,397</u>	<u>(68,136)</u>	<u>1,456,261</u>
EXPENDITURES			
Public safety	1,397,829	20,958	1,418,787
Capital outlay	5,050	(5,050)	-
Total expenditures	<u>1,402,879</u>	<u>15,908</u>	<u>1,418,787</u>
OTHER FINANCING SOURCES			
Sale of asset	9,173	(210)	8,963
Total other financing sources	<u>9,173</u>	<u>(210)</u>	<u>8,963</u>
Net change in fund balance/net position	130,691	(84,254)	46,437
Fund balance/Net Position			
Beginning of the Year	<u>947,667</u>	<u>129,283</u>	<u>1,076,950</u>
End of Year	<u>\$ 1,078,358</u>	<u>\$ 45,029</u>	<u>\$ 1,123,387</u>

North Metro Task Force
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis)
For the year ended December 31, 2017

	Original Budget	Final Budget	Budgetary Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	\$ 447,846	\$ 447,846	\$ 447,846	\$ -
Intergovernmental	-	64,795	54,581	(10,214)
Forfeitures	-	26,700	26,294	(406)
Grants	359,684	407,611	460,137	52,526
Interest and other	-	14,199	33,944	19,745
Total revenues	807,530	961,151	1,022,802	61,651
EXPENDITURES				
Public safety	1,221,984	1,603,115	1,397,829	205,286
Capital outlay	62,560	5,050	5,050	-
Total expenditures	1,284,544	1,608,165	1,402,879	205,286
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	9,173	9,173
Total other financing sources	-	-	9,173	9,173
Net change in fund balance	\$ (477,014)	\$ (647,014)	(370,904)	\$ 276,110
Fund balance, beginning			947,667	
Fund balance, ending			576,763	
Reconciliation to GAAP Basis:				
Add:				
Restitution			4,244	
Forfeitures			497,351	
Fund balance, GAAP Basis			\$ 1,078,358	

The accompanying notes are an integral part of these financial statements.

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Metro Task Force (Task Force) is a separate stand-alone governmental entity established in 2007 by an intergovernmental agreement (IGA) between Adams County, the City and County of Broomfield and the municipalities of Brighton, Commerce City, Federal Heights, Northglenn, Thornton and Westminster. The purpose of the Task Force is the identification, investigation, and prosecution of individuals and groups involved in trafficking illegal drugs and other associated criminal enterprises in a coordinated, effective manner. The Task Force operates under a Governing Board, which is comprised of the chief law enforcement officer from each of the participating jurisdictions.

The primary benefits of operating under an IGA include collaboratively working to eradicate the illegal trafficking of drugs and other criminal enterprises, sharing the cost of coordinated administration of under-cover operations, and procuring separate insurance for claims related to Task Force activities. As provided in the IGA, the Board appoints one of the participating agencies as the host agency for a period of five years. In October of 2014, the City of Westminster assumed the role of host agency from the City of Thornton.

The Task Force follows Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Task Force is not financially accountable for any other organization, nor is the Task Force a component unit of any other primary governmental entity. The Task Force does not include any fiduciary funds. All activities are accounted for in the General Fund.

B. Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The government-wide statements focus on the Task Force as a whole and the fund financial statements focus on the General Fund.

Government-Wide Statements

The government-wide statement emphasis is on the sustainability of the Task Force as an entity and the change in aggregate financial position resulting from the activities of the period. In the government-wide Statement of Net Position, the governmental activities are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term liabilities.

The government-wide Statement of Activities demonstrates how the revenues received by the Task Force were spent.

Fund Financial Statements

The General fund in the governmental fund financial statements is presented on a current financial resource and modified accrual basis of accounting. This is the manner in which the General Fund is normally budgeted. This presentation is deemed most appropriate to demonstrate (a) legal and covenant compliance, (b) the source and use of liquid resources, and (c) how the Task Force's actual experience conforms to the budget plan.

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, adjustments are necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. Those adjustments are explained in the section below.

C. Adjustments Column

The adjustments column on the governmental fund balance sheet/statement of net position represents the recording of capital assets and certain revenues as required by GASB 34.

The adjustments on the governmental fund balance sheet/statement of net position is comprised of the following as of December 31, 2017:

Amounts reported for the General Fund are different from the statement of net position because of:

Capital assets, net of accumulated depreciation	\$ 34,385
Deferred inflows of resources in the governmental funds are susceptible to full accrual on the entity-wide statements	<u>10,644</u>
Total adjustment amount	<u>\$ 45,029</u>

The adjustments column on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities is comprised of the following for the year ended December 31, 2017:

Amounts reported for the General Fund are different from the statement of activities because of:

Depreciation expense	\$ 20,958
Disposal of capital assets	210
Purchase of capital assets	(5,050)
Contribution of capital assets	(8,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund statements until they become available. These amounts are the difference in the treatment of revenue recognition.	<u>76,136</u>
Total adjustment amount	<u>\$ 84,254</u>

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The Task Force considers all revenues available if they are collected within 45 days after year-end. Assets recorded

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

in the fund financial statements for which the revenues are not available are reported as deferred inflows of resources. Unavailable fund resources are recognized as revenues in the government-wide statement of activities. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available for use, it is the Task Force's practice to use restricted resources first, then unrestricted resources as they are needed.

E. Capital Assets

Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of transfer. Capital assets subject to depreciation are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 years
Equipment	3 - 5 years
Vehicles	2 - 5 years

F. Use of Estimates

In preparing the Task Force's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Net Position/Fund Balances

Net position reflects assets plus deferred outflows less liabilities plus deferred inflows and is shown in three main categories in the government-wide fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt used to acquire, construct and improve capital assets. Net position is restricted when constraints placed on net resources are externally imposed. Remaining net position is reported as unrestricted.

Fund balance reflects assets plus deferred outflows less liabilities and deferred inflows and is shown only in governmental fund statements. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on those amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as prepaid assets.

Restricted Fund Balance is restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. An example is funds received through the federal forfeiture programs.

Committed Fund Balance is constrained for specified purposes through resolution approved by the Governing Board, and can be modified or rescinded only through the same type of formal action used to establish the commitment.

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Assigned Fund Balance is constrained for specified purposes by the President as authorized by the Task Force's bylaws and the establishing IGA. Assigned fund balance is established by the Governing Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, etc.).

Unassigned Fund Balance is unconstrained and comprised of residual uncategorized fund balance amounts.

On December 1, 2011, the Governing Board adopted a fund balance policy that establishes the use of fund balance. It is the policy of the Task Force to use restricted resources first, then committed and assigned, and unassigned as needed. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, restricted amounts are deemed to be used first.

H. Government Grants

The Task Force is currently participating in grants from various departments and agencies of the federal and state government. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

I. Budgets and Budgetary Accounting

An annual budget is adopted by the Governing Board for the General Fund. Operating costs are controlled at the fund level and all appropriations lapse at fiscal year-end. Expenditures may not legally exceed budgeted appropriations and the adopted budget can be amended during the year. This action requires Board approval by resolution.

The Task Force budgets on a Non-GAAP budgetary basis. This basis differs from the U.S. GAAP Basis of Accounting as current period revenues relating to restitution and forfeitures are generally not budgeted. The original budget does not include anticipated revenues for the current year. However, as necessary for operations, these funds may be appropriated once received and are reflected in the final budget.

NOTE 2 – DETAILED NOTES

A. Deposits And Investments

Cash and deposits as of December 31, 2017 totaled \$1,125,988 comprised of cash on hand in the amount of \$9,990, and \$1,115,998 held in deposit at eligible financial institutions.

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per custodian. At December 31, 2017, the Task Force's cash deposits had a book balance of \$1,115,998, and a corresponding bank balance of \$1,144,915. The difference between the book and bank balances is due

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

to outstanding checks not yet processed by the banks. Of the bank balance, \$250,000 was covered by federal depository insurance. The remainder of the bank balance, \$894,915, was collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by the PDPA.

On December 1, 2011, the Governing Board adopted an investment policy that addresses specific types of risk to which it may be exposed. The Task Force does not hold any investments as of December 31, 2017.

B. Receivables

For governmental receivables, available means when due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, generally within 45 days after year-end.

C. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Land improvements	\$ 7,630	\$ -	\$ -	\$ 7,630
Equipment	187,741	-	(22,548)	165,193
Vehicles	357,250	13,050	(35,000)	335,300
Total capital assets	<u>552,621</u>	<u>13,050</u>	<u>(57,548)</u>	<u>508,123</u>
Less accumulated depreciation				
Land Improvements	(3,306)	(382)	-	(3,688)
Equipment	(156,824)	(15,309)	22,338	(149,795)
Vehicles	(349,988)	(5,267)	35,000	(320,255)
Total accumulated depreciation	<u>(510,118)</u>	<u>(20,958)</u>	<u>57,338</u>	<u>(473,738)</u>
Governmental activities capital assets, net	<u>\$ 42,503</u>	<u>\$ (7,908)</u>	<u>\$ (210)</u>	<u>\$ 34,385</u>

All depreciation for the current year, \$20,958, is charged to the Public Safety function in the Statement of Activities.

NOTE 3 – OTHER INFORMATION

A. Risk Management

The Task Force is exposed to various risks of loss related to torts; theft of, damage to, destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance coverage is purchased through the Colorado Intergovernmental Risk Sharing Agency (CIRSA). There were no reductions in insurance coverage from the year ended December 31, 2017. The Task Force has not had any settlements during the last three fiscal periods that exceeded insurance coverage. Liabilities are reported when a claim is made against the Task Force.

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Potential claims are pending against the Task Force as of December 31, 2017. Although the outcome of such claims cannot be predicted with certainty, the Task Force believes that adequate insurance coverage exists and that the final settlement of these matters will not materially affect the financial statements of the Task Force.

Public Entity Risk Pool

On December 27, 2007, the Task Force's Governing Board authorized the Task Force to participate in CIRSA, a separate and independent governmental and legal entity, which was formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, C.R.S., as amended, 29-1-101 et. seq., C.R.S., as amended, 29-13-102, C.R.S., as amended, and Colorado Constitution, Article XIV, Section 18(2).

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability or loss to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

The scope, terms, conditions, and limitations of coverage are governed by the applicable coverage policies and/or excess coverage policies, the CIRSA bylaws, and other applicable documents. There has been no change in the deductibles or coverage over the last three years. CIRSA provides insurance coverage for property, crime, and liability including general, auto, law enforcement, public officials' errors and omissions and security and privacy. The deductible amount for the Task Force per incident in the year ending December 31, 2017 was \$50,000. Coverages are as follows:

- 1) Property/excess property: total insured value for Task Force property up to the \$500,500,000 pool limit.
- 2) Crime liability: to \$150,000 per occurrence
- 3) General liability (claims subject to the Governmental Immunity Act): to \$150,000 per person and \$600,000 per occurrence prior to June 30, 2013 then \$350,000 per person and \$990,000 per occurrence. (Claims not subject to Governmental Immunity Act up to \$5,000,000 limit.)
- 4) Auto liability (Claims not subject to Governmental Immunity Act): to \$5,000,000 per occurrence.

B. Participating Agencies

Approximately thirty-one percent (31%) of the Task Force operating revenue for the year was provided by the participating agencies as defined in the originating documents. Through the Rocky Mountain HIDTA grant and other funding, the participating agencies are reimbursed on a quarterly basis for overtime spent

**NORTH METRO TASK FORCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

on qualifying investigations. Additionally, certain administrative expenses are reimbursed to participating agencies as provided for in the IGA. For the year ended December 31, 2017, the amount of each agency's contribution and the amount due to each agency is shown in the table below:

Agency	Annual Contribution FY 2017	Due to Agency as of 12/31/17
Adams County Sheriff's Office	\$ 78,359	\$ 8,646
City of Brighton	31,967	5,421
City and County of Broomfield	55,123	17,291
City of Commerce City	41,379	7,633
City of Federal Heights	12,320	2,126
City of Northglenn	33,318	4,825
City of Thornton	102,442	16,931
City of Westminster	92,938	77,762
Contributions	<u>\$ 447,846</u>	140,635
Unrelated governmental payable		3,381
Due to other governments		<u>\$ 144,016</u>

C. Operating Leases

The Task Force is a party to two operating leases, one for the building used as the base of operations and the other for the vehicles used in daily operations. The building lease dated October 1, 2011 provides for open-ended one-year renewal options commencing annually on October 1. Building lease expenses totaled \$87,554 for the fiscal year 2017. Additionally, the Task Force entered into a contract on October 1, 2017 for the lease of vehicles. The initial term of the vehicle lease is 12-months with four additional annual option for renewal. Vehicle lease expenses totaled \$161,026 during the year ended December 31, 2017. The operating lease expense totaled \$248,580 for the year.

Compliance Section

**North Metro Task Force
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Executive Office of the President</u>			
Pass-Through Program From:			
City of Westminster, Colorado			
High Intensity Drug Trafficking Areas Program	95.001	G17RM0046A	\$ 373,356
<i>Total Executive Office of the President</i>			<u>373,356</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Criminal Division, Asset Forfeiture and Money Laundering Section			
Equitable Sharing Program	16.922	N/A	70,424
<i>Total U.S. Department of Justice</i>			<u>70,424</u>
<u>U.S. Department of Treasury</u>			
Direct Program:			
Executive Office for Asset Forfeiture			
Equitable Sharing Program	21.016	N/A	415,250
<i>Total U.S. Department of Treasury</i>			<u>415,250</u>
Total Federal Assistance			<u>\$ 859,030</u>

**NORTH METRO TASK FORCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the North Metro Task Force under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the North Metro Task Force, it is not intended to and does not present the financial position or changes in fund balance/net position of the North Metro Task Force.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A-87 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The North Metro Task Force has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - SUBRECIPIENTS

There were no subrecipients.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Governors
North Metro Task Force
Westminster, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 and the major fund of the North Metro Task Force (the Task Force), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Task Force's basic financial statements, and have issued our report thereon dated April 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Task Force's internal control over financial reporting (internal control) 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 an opinion on the effectiveness of the Task Force's internal control. Accordingly, we do not express an opinion on the effectiveness of the Task Force's internal control.

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 Task Force's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Governors
North Metro Task Force

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Task Force's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Task Force's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
April 26, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Governors
North Metro Task Force
Westminster, Colorado

Report on Compliance for Each Major Federal Program

We have audited North Metro Task Force's (the Task Force) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Task Force's major federal program for the year ended December 31, 2017. The Task Force's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Task Force's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Task Force's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Task Force's compliance.

Board of Governors
North Metro Task Force

Opinion on Each Major Federal Program

In our opinion, the Task Force complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Task Force is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Task Force's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Task Force's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
April 26, 2018

North Metro Task Force
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over compliance for major federal awards programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

5. Type of auditor’s report issued on compliance for major federal award programs:

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed required to be reported in accordance with 2 CFR 200.516(a)? Yes No

North Metro Task Force
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2017

7. Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.016	Equitable Sharing Program

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

North Metro Task Force
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Reference Number	Summary of Finding	Status
	No matters are reportable.	

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