



Dave Yost • Auditor of State

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Greater Warren County Drug Task Force
Warren County
P.O. Box 898
Lebanon, Ohio 45036

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Greater Warren County Drug Task Force, Warren County, (the Task Force) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Task Force's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Task Force prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Task Force does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Task Force as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Greater Warren County Drug Task Force, Warren County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the Task Force has suffered recurring losses from operations and has a negative general fund balance as of December 31, 2014. Note 4 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 6, 2015

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**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Fines and Forfeitures	\$13,880	\$201,690	\$215,570
Intergovernmental	206,195	0	206,195
Gifts and Donations	262,517	0	262,517
Sale of Seizures	2,370	34,139	36,509
Reimbursements and Refunds	152,302	0	152,302
Other	29	0	29
	637,293	235,829	873,122
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Salaries	701,351	39,504	740,855
Supplies	102,569	1,080	103,649
Equipment	31,130	4,834	35,964
Capital Outlay	0	31,402	
Contracts-Services	104,287	14,600	118,887
Rentals	168,916	10,554	179,470
Training and Education	7,489	300	7,789
Workers Comp	1,341	0	1,341
Other	19,327	77,407	96,734
Refund of Prior Year Expenditures	(102,930)	0	(102,930)
	1,033,480	179,681	1,181,759
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	(396,187)	56,148	(308,637)
Other Financing Receipts (Disbursements)			
Transfers In		12,537	12,537
Transfers Out	(12,537)		(12,537)
	(12,537)	12,537	0
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	(408,724)	68,685	(340,039)
<i>Fund Cash Balances, January 1</i>	399,174	604,280	1,003,454
Fund Cash Balances, December 31			
Restricted	0	672,965	672,965
Unassigned (Deficit)	(9,550)	0	(9,550)
	(\$9,550)	\$672,965	\$663,415
<i>Fund Cash Balances, December 31</i>			

The notes to the financial statements are an integral part of this statement.

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Fines and Forfeitures	\$29,288	\$590,291	\$619,579
Intergovernmental	246,664	0	246,664
Gifts and Donations	261,169	0	261,169
Fees	0	0	0
Sale of Seizures	29,856	0	29,856
Reimbursements and Refunds	257,196	0	257,196
Other	0	9,000	9,000
<i>Total Cash Receipts</i>	<u>824,173</u>	<u>599,291</u>	<u>1,423,464</u>
Cash Disbursements			
Current:			
Salaries	527,047	36,169	563,216
Supplies	101,583	13,372	114,955
Equipment	38,856	127,039	165,895
Capital Outlay	0	241,670	241,670
Contracts-Services	105,784	0	105,784
Rentals	138,592	0	138,592
Unemployment	10,400	0	10,400
Training and Education	1,520	7,000	8,520
Workers Comp	1,123	0	1,123
Other	17,780	42,500	60,280
Refund of Prior Year Expenditure	0	(40,000)	(40,000)
<i>Total Cash Disbursements</i>	<u>942,685</u>	<u>427,750</u>	<u>1,370,435</u>
<i>Net Change in Fund Cash Balances</i>	<u>(118,512)</u>	<u>171,541</u>	<u>53,029</u>
<i>Fund Cash Balances, January 1</i>	<u>517,686</u>	<u>432,739</u>	<u>950,425</u>
Fund Cash Balances, December 31			
Restricted	0	604,280	604,280
Unassigned (Deficit)	399,174	0	399,174
<i>Fund Cash Balances, December 31</i>	<u>\$399,174</u>	<u>\$604,280</u>	<u>\$1,003,454</u>

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Warren County Drug Task Force, Warren County, Ohio (the Task Force), is a multi-jurisdictional drug task force for the sharing of police service and equipment to undertake joint operations to stop the trafficking of illegal drugs. The Task Force was created under Section 167.01 of the Ohio Revised Code which permits the establishment of regional councils of governments. Member agencies include the Warren County Sheriff, Warren County Prosecutor, Cities of Lebanon, Mason, Franklin, Springboro, and Wilmington, Clinton County Prosecutor, Villages of Maineville and Waynesville, Clearcreek and Hamilton townships.

Prior to the Task Force becoming its own regional council of governments, the Task Force was recorded as an agency fund of Warren County.

The Task Force's management believes these financial statements present all activities for which the Task Force is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Task Force recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Warren County Auditor serves as the fiscal agent of the Task Force. The Warren County Treasurer is the custodian for the Task Force's deposits. Warren County's deposit and investment pool holds the Task Force's assets, valued at the Treasurer's reported carrying amount.

D. Fund Accounting

The Task Force uses fund accounting to segregate cash and investments that are restricted as to use. The Task Force classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Task Force had the following significant Special Revenue Funds:

Mandatory Fines – This fund receives mandatory drug fines for the administration of the Task Force and future investigations.

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

State Fund - This fund receives state forfeiture monies for the administration of the Task Force and future investigations.

Federal fund - This fund receives federal forfeiture monies for the administration of the Task Force and future investigations.

E. Fund Balance

The Task Force implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. Fund balance is divided into five classifications based primarily on the extent to which the Task Force must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Task Force classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Board members can *commit* amounts via formal action (resolution). The Task Force must adhere to these commitments unless the Board members amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Board members or a Task Force official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

The Task Force applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

The Task Force records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Retirement Systems

The Task Force's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members other than law enforcement contributed 10% of their gross salaries and the Task Force contributed an amount equaling 14% of participants' gross salaries. For 2014 and 2013, law enforcement officers contributed 13% and 12.6%, respectively, of their gross salaries and the Task Force contributed an amount equaling 18.1% of participants' gross salaries. The Task Force has paid all contributions required through December 31, 2014.

3. Risk Management

The Task Force's vehicles and equipment are insured by Warren County. Warren County is a member of the County Risk Sharing Authority, Inc., (CORSA) which is a shared risk pool among thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess participation in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage's include comprehensive general liability, certain property insurance and public officers' errors and omissions liability.

Commercial Insurance

The Task Force has also obtained commercial insurance for the following risks:

- Comprehensive general liability/premise liability

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. General Fund Balance Loss Explanation

With regard to the 2013 and 2014 decrease in fund balances, the majority of these were one time expenditures. To assure the long term stability of the Drug Task Force, we have spent the last 12-18 months conducting a total review of funding and expenditures. We have identified a flat funding stream from the County and governmental agencies. We have seen continual decrease in funding through our grants and HIDTA initiative. There is also a clearly identified decreasing of state and federal forfeitures over the years, including a change in the mindset of our legislature regarding these funds.

During this review, we identified areas to reduce expenditures. While there are several, the most significant included the layoff of two personnel resulting in a savings of over \$100,000 annually going forward. We realize there will need to be a continual review of these finances. The Drug Task Force, no different than any organization, has what is referred to as re-occurring costs. The costs of our personnel have naturally increased over the last fifteen years, while the funding has been flat or decreasing. Ultimately, once all expenditures have been reduced or stabilized, we will likely have to approach the Commissioners and/or other governmental agencies for increased contributions.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Greater Warren County Drug Task Force
Warren County
P.O. Box 898
Lebanon, Ohio 45036

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Greater Warren County Drug Task Force, Warren County, (the Task Force) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Task Force's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Task Force's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Task Force's financial statements. 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 finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Task Force's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Task Force's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Task Force's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

October 6, 2015

**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2014-01

Material Weakness

The Task Force should maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report their transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Task Force did not accurately record transactions in the accounting records, which caused errors in the related annual financial statement prepared by Warren County, the Task Force fiscal agent. We noted the following conditions related to the annual financial statements:

- During 2013, the Task Force posted \$40,000 to Refunds and Reimbursements in the General Fund. This should have been posted as a Refund of Prior Year Expenditure in the Special Revenue Fund. The correction of this error lead to a negative fund balance in the General Fund at the end of 2014.

- In 2014, the Task Force posted \$102,930 to Refunds and Reimbursements in the General Fund. These funds were from a refund of prior year salary payments not needed and should have been recorded as Refund of Prior Year expenditure in the General Fund.

- In 2013, the Task Force recorded \$180,000 in expenditures to "Other" in the Special Revenue Fund. This money was used by the Task Force as "Flash Money". The same \$180,000 was then incorrectly receipted into "Other" in the Special Revenue Fund. Showing the receipt and disbursements of these funds inflated both numbers on the financial statements by \$180,000. The return of the \$180,000 should have been booked as a refund of expenditure (a negative expenditure).

Failure to properly classify revenues and expenditures may result in improper fund balances and misleading financial statements. The Task Force corrected these inaccurate posting through audit adjustments to their ledgers and the accompanying financial statements.

We recommend that all receipts and disbursement be properly classified and reviewed for accuracy.

Officials' Response:

We did not receive a response from Officials to the finding above.

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**GREATER WARREN COUNTY DRUG TASK FORCE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Misclassification of receipts and expenditures	No	Partially Corrected-Reissued as Finding 2014-01

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GREATER WARREN COUNTY DRUG TASK FORCE

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2015**