



Dave Yost • Auditor of State

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Medway Drug Enforcement Agency
Wayne County
P.O. Box 872
Wooster, Ohio 44691

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Medway Drug Enforcement Agency, Wayne County, Ohio, (the Agency) as of and for the years ended December 31, 2016 and 2015.

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 Agency'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 Agency'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 Agency 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 Agency 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 Agency as of December 31, 2016 and 2015, 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 Medway Drug Enforcement Agency, Wayne County, Ohio as of December 31, 2016 and 2015, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2017, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2017

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Local Taxes	\$498,599	\$0	\$498,599
Intergovernmental	114,358	203,005	317,363
Fines and Restitution	7,586	5,585	13,171
Miscellaneous	109	4,446	4,555
Total Cash Receipts	<u>620,652</u>	<u>213,036</u>	<u>833,688</u>
Cash Disbursements			
Current:			
Salaries	382,116	116,504	498,620
Supplies and Materials	11,347	15,386	26,733
Contract Repairs	5,266	0	5,266
Contract Services	45,152	2,312	47,464
Rentals	0	34,800	34,800
Travel Expenses	5,675	0	5,675
PERS	72,498	0	72,498
Workers' Compensation	3,748	0	3,748
Other	5,045	0	5,045
Medicare	5,772	0	5,772
Health & Life Insurance	81,497	0	81,497
Fee - Auditor	8,252	0	8,252
Capital Outlay	9,358	116,286	125,644
Total Cash Disbursements	<u>635,726</u>	<u>285,288</u>	<u>921,014</u>
Excess of Receipts (Under) Disbursements	<u>(15,074)</u>	<u>(72,252)</u>	<u>(87,326)</u>
Other Financing Receipts			
Sale of Capital Assets	40,000	0	40,000
Total Other Financing Receipts	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Net Change in Fund Cash Balances	24,926	(72,252)	(47,326)
Fund Cash Balances, January 1	<u>337,368</u>	<u>172,496</u>	<u>509,864</u>
Fund Cash Balances, December 31			
Restricted	0	100,244	100,244
Unassigned	<u>362,294</u>	<u>0</u>	<u>362,294</u>
Fund Cash Balances, December 31	<u>\$362,294</u>	<u>\$100,244</u>	<u>\$462,538</u>

See accompanying notes to the basic financial statements

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Local Taxes	\$491,742	\$0	\$491,742
Intergovernmental	160,332	269,065	429,397
Fines and Restitution	8,599	14,169	22,768
Miscellaneous	2,126	923	3,049
Total Cash Receipts	<u>662,799</u>	<u>284,157</u>	<u>946,956</u>
Cash Disbursements			
Current:			
Salaries	329,840	158,348	488,188
Supplies and Materials	11,177	11,880	23,057
Contract Repairs	4,026	0	4,026
Contract Services	43,792	22,166	65,958
Rentals	0	34,800	34,800
Travel Expenses	7,254	0	7,254
PERS	62,521	14,249	76,770
Workers' Compensation	3,392	0	3,392
Other	9,871	0	9,871
Medicare	5,353	666	6,019
Health & Life Insurance	93,217	0	93,217
Fee - Auditor	8,300	0	8,300
Capital Outlay	10,345	43,889	54,234
Total Cash Disbursements	<u>589,088</u>	<u>285,998</u>	<u>875,086</u>
Excess of Receipts Over/(Under) Disbursements	<u>73,711</u>	<u>(1,841)</u>	<u>71,870</u>
Fund Cash Balances, January 1	<u>263,657</u>	<u>174,337</u>	<u>437,994</u>
Fund Cash Balances, December 31			
Restricted	0	172,496	172,496
Unassigned	<u>337,368</u>	<u>0</u>	<u>337,368</u>
Fund Cash Balances, December 31	<u><u>\$337,368</u></u>	<u><u>\$172,496</u></u>	<u><u>\$509,864</u></u>

See accompanying notes to the basic financial statements

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. Summary of Significant Accounting Policies

A. Description of Agency

The constitution and laws of the State of Ohio establish the rights and privileges of the MEDWAY Drug Enforcement Agency, Wayne County, (the Agency) as a body corporate and politic. The Agency is governed by a Council of Governments, consisting of two separate operating Boards. The first of these bodies is a seven member Governing Board composed of law enforcement officials and the Prosecutor from the participating entities; the second body is a six member General Assembly composed of publicly-elected officials from the participating entities. The Agency provides undercover drug enforcement programs for the purpose of reducing drug trafficking and related crimes.

The Agency's management believes these financial statements present all activities for which the Agency 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 Agency recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Wayne County Auditor acts as the fiscal agent for the Agency. The County maintains a cash and investment pool used by all funds. The Agency maintains small amounts of cash and deposits in commercial bank accounts for its operations. The Agency also maintains a separate account for monies seized in drug raids, which have not yet been forfeited to the Agency.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Agency had the following significant Special Revenue Funds:

MEDWAY Law Enforcement Trust Fund – This fund receives funds from local property and cash forfeitures under the law and may be expended for any operating expenses of the Agency. At least 10% of the first \$100,000 must be expended for educating the public.

Narcotics Task Force Grant Fund – This fund receives federal Byrne Grant monies to fund additional drug enforcement agents.

MEDWAY DLEF OCJS NTF Grant Fund – This fund receives grant monies from the Ohio Drug Law Enforcement Fund to help defray costs of running the Agency.

E. Budgetary Process

Since the Agency does not levy taxes, a tax budget is not required by the Ohio Revised Code. The Wayne County Auditor serves as the fiscal agent for the Agency and requires the Agency to submit an annual budget of estimated cash receipts and disbursements which serves as the financial plan for the year.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Agency must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure as part of the Wayne County Budget. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budget receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Agency reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not to be reappropriated.

A summary of 2015 and 2016 budgetary activity appears in Note 3.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Agency must observe constraints upon the use of its governmental fund resources. The classifications are as follows:

1. Nonspendable

The Agency 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

The Board can *commit* amounts via formal action (resolution). The Agency must adhere to these commitments unless the Board amends 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 the Board or an Agency 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.

The Agency 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.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. 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. Equity in Pooled Deposits and Investments

The Wayne County Auditor is the fiscal agent for the Agency. The County maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments for the Agency at December 31, 2016 and 2015 were \$462,538 and 509,864 respectively.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Due to the nature of the Agency's operations, the Agency maintains a bank account and cash outside of the County's direct control. These accounts are replenished through request to the County. These requests are recorded as disbursements on the Agency's financial statements at the time the County makes the disbursement to the Agency. Therefore, the bank account and cash maintained by the Agency are not reflected in the ending cash fund balances of the accompanying financial statements. The balances of these accounts as of December 31 was as follows:

	2016	2015
Bank Account Balance	\$16,169	\$24,165
Cash on hand	\$9,644	\$8,618
Total	\$25,813	\$32,783

Additionally, the Agency maintains a separate bank account to track funds seized and held pending final disposition of the respective case. As of December 31, 2015 and 2016, the balance in this account was \$17,224 and \$18,783, respectively.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2016 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$609,821	\$660,652	\$50,831
Special Revenue	\$203,398	\$213,036	\$9,638
Total	\$813,219	\$873,688	\$60,469

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$938,998	\$653,584	\$285,414
Special Revenue	\$359,492	\$292,844	\$66,648
Total	\$1,298,490	\$946,428	\$352,062

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$609,821	\$662,799	\$52,978
Special Revenue	\$95,035	\$284,157	\$189,122
Total	\$704,856	\$946,956	\$242,100

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$868,362	\$597,279	\$271,083
Special Revenue	\$411,623	\$302,400	\$109,223
Total	\$1,279,985	\$899,679	\$380,306

4. Property Tax

Wayne County levies a tax on behalf of the MEDWAY Drug Enforcement Agency.

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

4. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the Agency.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Defined Benefit Pension Plans

The Agency's law enforcement officers belong to the Ohio Public Employees Retirement System (OPERS) Law Enforcement . Other employees belong to 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 2016 and 2015, Law Enforcement participants contributed 13 percent of their wages. For 2016 and 2015, the Agency contributed an amount equal to 18.1 percent of their wages. For 2016 and 2015, OPERS members contributed 10 percent of their wages and the Agency contributed an amount equaling 14 percent, of the participants' gross salaries. The Agency has paid all contributions required through December 31, 2016.

6. Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursement, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

7. Risk Management

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial inland marine;
- Public officials' liability;
- Employees liability; and
- Employee benefits liability.

The County also provides health insurance and dental and vision coverage to full-time employees through the Wayne County Benefit Plan.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

8. Contingent Liabilities

Amounts grantor agencies pay to the Agency are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

Medway Drug Enforcement Agency
Wayne County
P.O. Box 872
Wooster, Ohio 44691

To the Governing 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 the cash balances, receipts, and disbursements by fund type of Medway Drug Enforcement Agency, Wayne County, Ohio, (the Agency) as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated April 12, 2017, wherein we noted the Agency followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 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 Agency'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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Agency'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 Agency's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Agency'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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2017



Dave Yost • Auditor of State

MEDWAY DRUG ENFORCEMENT AGENCY

WAYNE 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
MAY 9, 2017**