



**Auditor of State
Betty Montgomery**

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - All Governmental Fund Types For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - All Governmental Fund Types For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Medway Drug Enforcement Agency
Wayne County
PO Box 872
Wooster, Ohio 44691-0872

To the General Assembly and Governing Board:

We have audited the accompanying financial statements of Medway Drug Enforcement Agency, Wayne County, Ohio, (the Agency) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Agency prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Medway Drug Enforcement Agency as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Medway Drug Enforcement Agency
Wayne County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the General Assembly and Governing Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 8, 2003

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENT FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$292,512		\$292,512
Intergovernmental	142,544	\$41,228	183,772
Fines and Restitution	8,610	11,023	19,633
Miscellaneous	2,770		2,770
	<u>446,436</u>	<u>52,251</u>	<u>498,687</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries	256,454	38,102	294,556
Supplies and Materials	13,082		13,082
Contract Repairs	6,119		6,119
Contract Services	29,154		29,154
Rentals	27,360		27,360
Travel Expenses	1,423		1,423
PERS	35,734	6,020	41,754
Workers' Compensation	825	121	946
Other	66,414	15,928	82,342
Capital Outlay	350		350
	<u>436,915</u>	<u>60,171</u>	<u>497,086</u>
Total Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>9,521</u>	<u>(7,920)</u>	<u>1,601</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	330	31,311	31,641
Transfers-Out	(31,311)	(330)	(31,641)
	<u>(30,981)</u>	<u>30,981</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,460)	23,061	1,601
Fund Cash Balances, January 1	<u>307,385</u>	<u>122,909</u>	<u>430,294</u>
Fund Cash Balances, December 31	<u>\$285,925</u>	<u>\$145,970</u>	<u>\$431,895</u>
Reserves for Encumbrances, December 31	<u>\$38,724</u>	<u>\$0</u>	<u>\$38,724</u>

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

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENT FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$292,667		\$292,667
Intergovernmental	153,257	\$41,288	194,545
Fines and Restitution	10,568	27,314	37,882
Miscellaneous	4,134		4,134
	<u>460,626</u>	<u>68,602</u>	<u>529,228</u>
Cash Disbursements:			
Current:			
Salaries	218,207	32,075	250,282
Supplies and Materials	14,083		14,083
Contract Repairs	1,985		1,985
Contract Services	39,241		39,241
Rentals	27,360		27,360
Travel Expenses	2,030		2,030
PERS	29,367	4,275	33,642
Workers' Compensation	88	10	98
Other	68,879	12,798	81,677
Capital Outlay	57,853		57,853
	<u>459,093</u>	<u>49,158</u>	<u>508,251</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,533</u>	<u>19,444</u>	<u>20,977</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	11,902	13,763	25,665
Transfers-Out	(13,763)	(11,902)	(25,665)
	<u>(1,861)</u>	<u>1,861</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(328)	21,305	20,977
Fund Cash Balances, January 1	<u>307,713</u>	<u>101,604</u>	<u>409,317</u>
Fund Cash Balances, December 31	<u>\$307,385</u>	<u>\$122,909</u>	<u>\$430,294</u>
Reserves for Encumbrances, December 31	<u>\$23,173</u>	<u>\$88</u>	<u>\$23,261</u>

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

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Medway Drug Enforcement Agency, Wayne County, (the Agency) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency is governed by a Council of Governments, consisting of two separate operating Boards. The first of these bodies is a nine member Governing Board composed of law enforcement officials from the participating entities; the second body is an eight 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash 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.

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 is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Agency had the following significant Special Revenue Funds:

Medway Trust Fund – This fund receives funds from property and cash forfeitures under the law and may only be expended for equipment and training expenses.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Drug Control and System Improvement Fund – This fund receives federal Byrne Grant monies to fund additional drug enforcement agents.

E. Budgetary Process

The Wayne County Auditor serves as the fiscal agent for the Agency. The Agency is required to submit an annual budget of estimated cash receipts and disbursements to the Wayne County Auditor.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control resources. The Agency must annually approve appropriation measures. The County Budget Commission must also approve the annual appropriate measure.

2. Estimated Resources

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

3. Encumbrances

The Wayne County auditor requires the Agency to reserve (encumber) appropriations when commitments are made.

Encumbrances are purchase orders, contracts and other commitments for the expenditure of monies that are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Agency.

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH 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, 2002 and 2001 were \$431,895 and \$430,294, respectively.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$446,701	\$446,766	\$65
Special Revenue	59,971	83,562	23,591
Total	\$506,672	\$530,328	\$23,656

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$715,969	\$506,950	\$209,019
Special Revenue	160,070	60,501	99,569
Total	\$876,039	\$567,451	\$308,588

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$442,185	\$472,528	\$30,343
Special Revenue	55,051	82,365	27,314
Total	\$497,236	\$554,893	\$57,657

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,618	\$496,029	\$231,589
Special Revenue	137,861	61,148	76,713
Total	\$865,479	\$557,177	\$308,302

**MEDWAY DRUG ENFORCEMENT AGENCY
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Agency's General Assembly. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Agency's law enforcement officers belong to the State Police Retirement System (SPRS). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). SPRS and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, SPRS members contributed 10% of their wages to the SPRS. The Agency contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their gross salaries. The Agency contributed an amount equal to 10.84% of participants' gross salaries for 2002 and 13.55% of participants' gross salaries for 2001. The Agency has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- General liability
- Public officials' liability
- Employers liability
- 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, 2002 AND 2001
(Continued)**

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Medway Drug Enforcement Agency
Wayne County
PO Box 872
Wooster, Ohio 44691-0872

To the General Assembly and Governing Board:

We have audited the accompanying financial statements of the Medway Drug Enforcement Agency, Wayne County, Ohio, (the Agency) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 8, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Agency in a separate letter dated August 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Agency in a separate letter dated August 8, 2003.

Medway Drug Enforcement Agency
Wayne County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, and the General Assembly and Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 8, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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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
OCTOBER 2, 2003**