



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004-2003**



**Auditor of State  
Betty Montgomery**



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

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**Auditor of State  
Betty Montgomery**

Medway Drug Enforcement Agency  
Wayne County  
P.O. Box 872  
Wooster, Ohio 44691-0872

To the General Assembly and Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

July 29, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Medway Drug Enforcement Agency  
Wayne County  
P.O. 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, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Agency has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Agency to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2003. While the Agency does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Agency has elected not to reformat its statements. Since this Agency does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2004 and 2003 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Agency as of December 31, 2004 and 2003, or its changes in financial position for the years then ended.

Also, 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 Medway Drug Enforcement Agency, Wayne County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As more fully discussed in Note 8, the Agency had a restatement of beginning fund cash balance within the General Fund. Fund balance as of January 1, 2003 was restated as a result of these reclassifications.

The aforementioned revision to generally accepted accounting principles also requires the Agency to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2003. The Agency has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

July 29, 2005



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$299,309		\$299,309
Intergovernmental	171,471	\$40,299	211,770
Fines and Restitution	17,756	42,096	59,852
Miscellaneous	284	665	949
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	488,820	83,060	571,880
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Salaries	284,061	40,364	324,425
Supplies and Materials	24,255	406	24,661
Contract Repairs	6,964		6,964
Contract Services	36,947	100	37,047
Rentals	26,600		26,600
Travel Expenses	1,003		1,003
PERS	39,090	4,830	43,920
Workers' Compensation	759	99	858
Other	43,768	16,370	60,138
Capital Outlay	38,576	42,938	81,514
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	502,023	105,107	607,130
	<hr/>	<hr/>	<hr/>
Total Cash Receipts (Under) Cash Disbursements	(13,203)	(22,047)	(35,250)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		25,848	25,848
Transfers-Out	(25,848)		(25,848)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(25,848)	25,848	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,051)	3,801	(35,250)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	250,092	141,568	391,660
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$211,041</b>	<b>\$145,369</b>	<b>\$356,410</b>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$7,812	\$1,315	\$9,127
	<hr/>	<hr/>	<hr/>

*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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$295,746		\$295,746
Intergovernmental	193,092	\$29,651	222,743
Fines and Restitution	8,624	8,943	17,567
Miscellaneous	1,503	337	1,840
	<u>498,965</u>	<u>38,931</u>	<u>537,896</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	275,206	35,864	311,070
Supplies and Materials	19,786		19,786
Contract Repairs	4,317		4,317
Contract Services	39,959		39,959
Rentals	27,360		27,360
Travel Expenses	938		938
PERS	47,771	6,320	54,091
Workers' Compensation	581	86	667
Other	49,117	11,063	60,180
Capital Outlay	37,484		37,484
	<u>502,519</u>	<u>53,333</u>	<u>555,852</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(3,554)</u>	<u>(14,402)</u>	<u>(17,956)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		46,109	46,109
Transfers-Out	(10,000)	(36,109)	(46,109)
	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(13,554)	(4,402)	(17,956)
Fund Cash Balances, January 1 (Restated, Note 8)	<u>263,646</u>	<u>145,970</u>	<u>409,616</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$250,092</b></u>	<u><b>\$141,568</b></u>	<u><b>\$391,660</b></u>
Reserves for Encumbrances, December 31	<u>\$5,046</u>	<u>\$0</u>	<u>\$5,046</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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Cash**

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 to be accounted for in another fund.

**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 has the following significant Special Revenue Funds:

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. 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.

*Federal Equitable Sharing Trust Fund* - This fund receives funds from federal property and cash forfeitures under the law and may be expended for any operating expenses of the Agency.

*Narcotics Task Force Grant 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. The Agency must annually approve the appropriation measure. The County Budget Commission must also approve the annual appropriation 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 2004 and 2003 budgetary activity appears in Note 3.

**F. 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.

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. EQUITY IN POOLED CASH**

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, 2004 and 2003 were \$356,410 and \$391,660, 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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$459,385	\$488,820	\$29,435
Special Revenue	62,018	108,908	46,890
Total	\$521,403	\$597,728	\$76,325

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$709,477	\$535,683	\$173,794
Special Revenue	203,585	106,422	97,163
Total	\$913,062	\$642,105	\$270,957

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$451,185	\$498,965	\$47,780
Special Revenue	66,322	85,040	18,718
Total	\$517,507	\$584,005	\$66,498

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$714,831	\$517,565	\$197,266
Special Revenue	212,293	89,442	122,851
Total	\$927,124	\$607,007	\$320,117

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Governing Board adopts 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.

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 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 2004 and 2003, SPRS members contributed 10.1% of their wages to SPRS. The Agency contributed an amount equal to 16.7% of their wages. For 2004 and 2003, OPERS members contributed 8.5% of their wages. The Agency contributed an amount equal to 13.55% of their wages. The Agency has paid all contributions required through December 31, 2004.

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**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.

**7. 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.

**8. RESTATEMENT OF BEGINNING FUND CASH BALANCE**

During 2002, the General Fund balance was overstated due to an overstatement of activities in previous years. The correction of this error had the following effect on fund balances as previously reported at December 31, 2002.

	Balance Previously <u>Reported</u>	<u>Restatement</u>	Restated Balance <u>January 1, 2003</u>
General Fund	\$285,925	(\$22,279)	\$263,646

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 44691-0872

To the General Assembly and Governing Board:

We have audited the financial statements of the Medway Drug Enforcement Agency, Wayne County, Ohio, (the Agency) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 29, 2005, wherein we noted the Agency followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Agency had a restatement within the beginning fund cash balance in the General Fund. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Agency's management dated July 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion 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*. In a separate letter to the Agency's management dated July 29, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of management, the General Assembly and Governing Board. It is not intended for 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

July 29, 2005



**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**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 11, 2005**