



Dave Yost • Auditor of State



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

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 an 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 adverse 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.

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**Dave Yost**  
Auditor of State

June 20, 2011

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# Dave Yost • Auditor of State

## 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, 2010 and 2009. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Agency's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Agency has elected not to follow GAAP statement formatting requirements. 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 20, 2011, 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.

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

June 20, 2011



**CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$248,535		\$248,535
Intergovernmental	307,628	\$202,412	510,040
Fines and Restitutions	10,457	3,038	13,495
Miscellaneous	25,627	38	25,665
	<u>592,247</u>	<u>205,488</u>	<u>797,735</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	369,898	150,667	520,565
Supplies and Materials	25,953	322	26,275
Contract Repairs	3,635		3,635
Contract Services	41,445		41,445
Rentals	34,800		34,800
Travel Expenses	3,579		3,579
OPERS	49,139	17,894	67,033
Workers Compensation	1,641	213	1,854
Unemployment	7,566		7,566
Other	38,573	1,797	40,370
Capital Outlay	12,681	124,204	136,885
	<u>588,910</u>	<u>295,097</u>	<u>884,007</u>
Total Receipts Over/(Under) Disbursements	<u>3,337</u>	<u>(89,609)</u>	<u>(86,272)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		62,342	62,342
Transfers-Out	(32,183)	(30,159)	(62,342)
	<u>(32,183)</u>	<u>32,183</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(28,846)	(57,426)	(86,272)
Fund Cash Balances, January 1	<u>92,578</u>	<u>97,924</u>	<u>190,502</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$63,732</u></b>	<b><u>\$40,498</u></b>	<b><u>\$104,230</u></b>
Reserve for Encumbrances, December 31	<u>\$16,706</u>	<u>\$1,552</u>	<u>\$18,258</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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$246,646		\$246,646
Intergovernmental	297,914	\$35,067	332,981
Fines and Restitutions	17,033	11,642	28,675
Miscellaneous	16,818	157	16,975
	<u>578,411</u>	<u>46,866</u>	<u>625,277</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	385,714	51,241	436,955
Supplies and Materials	26,969	2,886	29,855
Contract Repairs	5,965		5,965
Contract Services	50,478	3,182	53,660
Rentals	34,800		34,800
Travel Expenses	7,203	1,630	8,833
OPERS	49,809	7,322	57,131
Workers Compensation	23,433	326	23,759
Other	48,087	9,992	58,079
Capital Outlay	40,943	2,505	43,448
	<u>673,401</u>	<u>79,084</u>	<u>752,485</u>
Total Receipts Over/(Under) Disbursements	<u>(94,990)</u>	<u>(32,218)</u>	<u>(127,208)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		36,412	36,412
Transfers-Out	(36,412)		(36,412)
	<u>(36,412)</u>	<u>36,412</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(131,402)	4,194	(127,208)
Fund Cash Balances, January 1	<u>223,980</u>	<u>93,730</u>	<u>317,710</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$92,578</u></b>	<b><u>\$97,924</u></b>	<b><u>\$190,502</u></b>
Reserve for Encumbrances, December 31	<u>\$14,251</u>	<u>\$899</u>	<u>\$15,150</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, 2010 AND 2009**

**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 twelve member Governing Board composed of law enforcement officials from the participating entities; the second body is a ten 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, 2010 AND 2009  
(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 Township 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 for the use of the purchase of a surveillance vehicle.

**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 (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2010 and 2009 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.

**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 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, 2010 and 2009 were \$104,230 and \$190,502, 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 requests 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 at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Bank Account Balance	\$8,487	\$5,972
Cash on hand	5,232	2,238
Total	<u>\$13,719</u>	<u>\$8,210</u>

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, 2010 and 2009, the balance in this account was \$187,067 and \$133,393, respectively.

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$572,280	\$592,247	\$19,967
Special Revenue	260,191	267,830	7,639
Total	\$832,471	\$860,077	\$27,606

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$650,607	\$637,799	\$12,808
Special Revenue	357,215	326,808	30,407
Total	\$1,007,822	\$964,607	\$43,215

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$596,793	\$578,411	(\$18,382)
Special Revenue	94,550	83,278	(11,272)
Total	\$691,343	\$661,689	(\$29,654)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$801,298	\$724,064	\$77,234
Special Revenue	187,098	79,983	107,115
Total	\$988,396	\$804,047	\$184,349

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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.

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 Township.

**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. 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 2010 and 2009, SPRS participants contributed 11.10 and 10.10 percent of their wages, respectively. For 2010 and 2009, the Agency contributed an amount equal to 17.87 and 17.63 percent of their wages, respectively. For 2010 and 2009, OPERS members contributed 10 percent of their wages and the Agency contributed an amount equaling 14 percent, of participants' gross salaries. The Agency has paid all contributions required through December 31, 2010.

**6. 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, 2010 AND 2009  
(Continued)**

**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.





# Dave Yost • Auditor of State

## 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, 2010 and 2009, and have issued our report thereon dated June 20, 2011, 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. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Agency's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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*.

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, the Governing Board and others within the Agency. We intend it for no one other than these specified parties.

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

June 20, 2011



# 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  
AUGUST 2, 2011**