



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

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Mary Taylor, CPA  
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 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 16, 2007

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# Mary Taylor, CPA

## 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, 2006 and 2005. 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 year ended December 31, 2004. 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the year 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2006 and 2005. 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 March 16, 2007, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 16, 2007



**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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$309,696		\$309,696
Intergovernmental	265,722	\$81,458	347,180
Fines and Restitution	13,440	25,428	38,868
Miscellaneous	2,486	2,855	5,341
	<u>591,344</u>	<u>109,741</u>	<u>701,085</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Salaries	303,677	68,059	371,736
Supplies and Materials	33,740	1,561	35,301
Contract Repairs	7,548		7,548
Contract Services	27,426		27,426
Rentals	27,000	1,173	28,173
Travel Expenses	420		420
OPERS	45,420	10,921	56,341
Workers' Compensation	26,890	357	27,247
Other	75,409	40,858	116,267
Capital Outlay	36,157	4,056	40,213
	<u>583,687</u>	<u>126,985</u>	<u>710,672</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>7,657</u>	<u>(17,244)</u>	<u>(9,587)</u>
Fund Cash Balances, January 1	<u>141,692</u>	<u>137,583</u>	<u>279,275</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$149,349</u></b>	<b><u>\$120,339</u></b>	<b><u>\$269,688</u></b>
Reserves for Encumbrances, December 31	<u>\$17,196</u>	<u>\$5,648</u>	<u>\$22,844</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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$305,970		\$305,970
Intergovernmental	209,306	\$55,857	265,163
Fines and Restitution	14,898	9,656	24,554
Miscellaneous	584	1,690	2,274
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	530,758	67,203	597,961
<b>Cash Disbursements:</b>			
Current:			
Salaries	300,850	39,966	340,816
Supplies and Materials	28,645	2,006	30,651
Contract Repairs	5,763		5,763
Contract Services	39,934		39,934
Rentals	27,000		27,000
Travel Expenses	2,306		2,306
OPERS	44,722	6,375	51,097
Workers' Compensation	10,748	283	11,031
Other	95,618	22,934	118,552
Capital Outlay	42,521	5,425	47,946
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	598,107	76,989	675,096
Total Cash Receipts (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(67,349)	(9,786)	(77,135)
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		2,000	2,000
Transfers-Out	(2,000)		(2,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,000)	2,000	0
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(69,349)	(7,786)	(77,135)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	211,041	145,369	356,410
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<u>\$141,692</u>	<u>\$137,583</u>	<u>\$279,275</u>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	<u>\$20,499</u>	<u>\$3,445</u>	<u>\$23,944</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, 2006 AND 2005**

**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. Basis of Accounting**

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. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

**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 to be accounted for in another fund.

**2. Special Revenue Funds**

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

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

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**

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 disbursement which serves as 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.

**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 2006 and 2005 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, 2006 AND 2005  
(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 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, 2006 and 2005 were \$269,688 and \$279,275, respectively.

**Deposits:** Deposits are 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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$539,020	\$591,344	\$52,324
Special Revenue	97,064	109,741	12,677
Total	\$636,084	\$701,085	\$65,001

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$680,712	\$600,883	\$79,829
Special Revenue	234,649	132,633	102,016
Total	\$915,361	\$733,516	\$181,845

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$460,185	\$530,758	\$70,573
Special Revenue	60,057	69,203	9,146
Total	\$520,242	\$599,961	\$79,719

**MEDWAY DRUG ENFORCEMENT AGENCY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$671,228	\$620,606	\$50,622
Special Revenue	205,426	80,434	124,992
Total	\$876,654	\$701,040	\$175,614

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Governing Board adopts 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 State pays the Agency amounts equaling these deductions. The Agency includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Agency's behalf.

**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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, SPRS participants contributed 10.1 percent of their wages. The Agency contributed an amount equal to 16.93 and 16.70 percent of their wages, respectively. For 2006 and 2005, OPERS members contributed 9.0 and 8.5 percent of their wages, respectively. The Agency contributed an amount equal to 13.70 and 13.55 percent of participants' gross salaries, respectively. The Agency has paid all contributions required through December 31, 2006.

**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; 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, 2006 AND 2005  
(Continued)**

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Agency are subject to audit and adjustment by the grantor. Grantors 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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# Mary Taylor, CPA

## 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, 2006 and 2005, and have issued our report thereon dated March 16, 2007, 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Agency's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Agency's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the Agency's management in a separate letter dated March 16, 2007.

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### **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*.

We intend this report solely for the information and use of the management, the General Assembly and Governing Board. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 16, 2007



**Mary Taylor, CPA**  
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 10, 2007**