



**Auditor of State
Betty Montgomery**

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

Emergency Management Agency
Auglaize County
209 South Blackhoof
Wapakoneta, Ohio 45895

To the Executive Committee:

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

Emergency Management Agency
Auglaize County
209 South Blackhoof
Wapakoneta, Ohio 45895

To the Executive Committee:

We have audited the accompanying financial statements of the Emergency Management Agency, Auglaize County, (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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 its 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 year ended December 31, 2004 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, or their changes in financial position for the year then ended.

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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 the Emergency Management Agency, Auglaize 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.

The aforementioned revision to generally accepted accounting principles also requires the Agency to include Management's Discussion and Analysis for the year ended December 31, 2004. 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

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Grants	\$35,407	\$385,080	\$420,487
Fees Charged to Subdivisions	60,128		60,128
Local Sources	12,500		12,500
Other Receipts	2,528	5,673	8,201
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	110,563	390,753	501,316
Cash Disbursements:			
Salaries	34,256	87,053	121,309
Supplies	457	8,298	8,755
Equipment	3,591	303,518	307,109
Contracts - Services	18,900	11,254	30,154
Travel	582	500	1,082
Cost Allocation	4,000		4,000
Other	438	10	448
	<hr/>	<hr/>	<hr/>
Total Disbursements	62,224	410,633	472,857
Total Receipts Over/(Under) Disbursements	48,339	(19,880)	28,459
Fund Cash Balances, January 1	(3,222)	67,293	64,071
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$45,117</u>	<u>\$47,413</u>	<u>\$92,530</u>
Reserve for Encumbrances, December 31	<u>\$555</u>	<u>\$1,414</u>	<u>\$1,969</u>

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

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Grants	\$27,640	\$97,714	\$125,354
Fees Charged to Subdivisions	37,289		37,289
Local Sources	12,500		12,500
Other Receipts	1,186	5,490	6,676
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,615	103,204	181,819
Cash Disbursements:			
Salaries	70,544		70,544
Supplies	3,268	1,339	4,607
Equipment	967	49,099	50,066
Contracts - Services	33,249	667	33,916
Travel	778		778
Reimbursement		8,000	8,000
Cost Allocation	4,000		4,000
Other	408		408
	<hr/>	<hr/>	<hr/>
Total Disbursements	113,214	59,105	172,319
Total Receipts Over/(Under) Disbursements	(34,599)	44,099	9,500
Fund Cash Balances, January 1	31,377	23,194	54,571
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$3,222)</u>	<u>\$67,293</u>	<u>\$64,071</u>
Reserve for Encumbrances, December 31	<u>\$6,663</u>	<u>\$147</u>	<u>\$6,810</u>

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

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE 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 Emergency Management Agency, Auglaize County, (the Agency), as a body corporate and politic. The Agency is directed by a twenty six member Advisory Committee pursuant to Ohio Revised Code Section 5502.26, and is responsible for the development of a county-wide emergency operation plan and the appointment of a Coordinator who is responsible for coordinating, organizing, administering, and operating emergency management in accordance with the Agency's plan.

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 basis is similar to the cash receipts and disbursements basis of accounting. 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 include adequate disclosure of material matters as the Auditor of State prescribes or permits.

C. Cash and Investments

The Auglaize County Auditor acts as fiscal agent for the Agency as required by Ohio Revised Code. The Auglaize County Treasurer is the custodian of the Agency's cash. The Agency's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The Agency uses fund accounting to segregate cash that is restricted as to use. The Agency classifies it 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 had the following significant Special Revenue Fund:

Homeland Security Grant Fund – This fund receives federal grants for the purchase of equipment and to plan and conduct exercises to respond in case of a terrorist incident.

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

Although there is no legal requirement to prepare a budget, the Agency budgets each fund annually. The County Auditor acts as fiscal agent, and the Agency follows the budgetary procedures required by the County.

1. Appropriations

The Executive Committee annually approves appropriations and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. 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.

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 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.

2. EQUITY IN CASH AND INVESTMENTS

The County Treasurer maintains a cash and investment pool used by all County funds. The carrying amount for the Agency's portion of cash and investments as of December 31, 2004 and 2003 was as follows:

	<u>2004</u>	<u>2003</u>
County Treasury	<u>\$92,530</u>	<u>\$64,071</u>

Deposits: Deposits held by the Auglaize County Treasurer are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the County or (3) collateralized by the financial institution's public entity deposit pool.

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$427,851	\$110,563	(\$317,288)
Special Revenue	237,203	390,753	153,550
Total	<u>\$665,054</u>	<u>\$501,316</u>	<u>(\$163,738)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$336,230	\$62,779	\$273,451
Special Revenue	287,063	412,047	(\$124,984)
Total	<u>\$623,293</u>	<u>\$474,826</u>	<u>\$148,467</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,440	\$78,615	(\$63,825)
Special Revenue	128,418	103,204	(25,214)
Total	<u>\$270,858</u>	<u>\$181,819</u>	<u>(\$89,039)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$143,594	\$119,877	\$23,717
Special Revenue	151,611	59,252	\$92,359
Total	<u>\$295,205</u>	<u>\$179,129</u>	<u>\$116,076</u>

4. SUBDIVISION ASSESSMENTS

The subdivision fees are apportioned according to the last available census. Each subdivision was assessed \$.40 per capita during 2003 to fund the general operations of the Agency. The assessment was raised to \$.55 per capita beginning in 2004.

5. RETIREMENT SYSTEM

The Agency's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS employee members contributed 8.5 percent of their gross salaries. The Agency contributed an amount equal to 13.55 percent of participants' gross salaries for 2004 and 2003. The Agency has paid all contributions required through December 31, 2004.

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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

6. RISK MANAGEMENT

The Agency is insured by the County through a cost allocation plan for the following risks:

- Comprehensive property and general liability
- Vehicle liability
- Errors and omissions

The Agency provides health insurance to the employees through the County's plan.

7. GRANTS

The Agency received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Agency at December 31, 2004.



**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**

Emergency Management Agency
Auglaize County
209 South Blackhoof
Wapakoneta, Ohio 45895

To the Executive Committee:

We have audited the financial statements of the Emergency Management Agency, Auglaize County, (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. 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2004-001 listed above to be a material weakness.

In a separate letter to the Agency's management dated July 29, 2005, we reported other matters involving internal control over financial reporting which 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

In a separate letter to the Agency's management dated July 29, 2005 we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Executive Committee. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 29, 2005

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Proper Accounting for Grant Funds

28 CFR Subpart C, Section 70.21 (a)(2) states that the recipients' financial management systems must provide for the following: records that identify adequately the source and application of funds for Federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Several federal grants were placed within the same fund(s) without sub-accounts to track the activity of each individual grant. In addition, the grants were posted to the accounting system without any consideration as to the purpose of the funds (i.e., general operating funds or special purpose funds).

The lack of separate accountability results in difficulty determining which expenditures relate to which grant, and if expenditures were in accordance with grant requirements. In addition, the grant balances available were not readily determinable.

Separate funds, or sub-accounts within each fund, should be created so that the grant revenue and expenditures can be related to the grant purpose, and a grant balance is readily available.



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EMERGENCY MANAGEMENT AGENCY

AUGLAIZE 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
SEPTEMBER 13, 2005**