



Mary Taylor, CPA
Auditor of State

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

Emergency Management Agency
Auglaize County
209 South Blackhoof Street
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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 31, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Emergency Management Agency
Auglaize County
209 South Blackhoof Street
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, 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 that were effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the Emergency Management Agency, Auglaize 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 May 31, 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.



Mary Taylor, CPA
Auditor of State

May 31, 2007

**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, 2006**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Grants | | \$132,931 | \$132,931 |
| Fees Charged to Subdivisions | \$55,864 | | 55,864 |
| Local Sources | 22,500 | | 22,500 |
| Donations | | 200 | 200 |
| Other Receipts | 7,395 | 1,939 | 9,334 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 85,759 | 135,070 | 220,829 |
| Cash Disbursements: | | | |
| Salaries | 57,872 | 36,592 | 94,464 |
| Supplies | 5,953 | 1,835 | 7,788 |
| Equipment | 1,370 | 79,206 | 80,576 |
| Contracts - Services | 2,544 | 16,014 | 18,558 |
| Travel | 43 | | 43 |
| Cost Allocation | 4,000 | | 4,000 |
| Reimbursements | | 9,096 | 9,096 |
| Other | 65 | 223 | 288 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 71,847 | 142,966 | 214,813 |
| Total Receipts Over/(Under) Disbursements | 13,912 | (7,896) | 6,016 |
| Fund Cash Balances, January 1 | <hr/> | <hr/> | <hr/> |
| | 28,965 | 19,606 | 48,571 |
| Fund Cash Balances, December 31 | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | \$42,877 | \$11,710 | \$54,587 |
| Reserve for Encumbrances, December 31 | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | \$293 | \$0 | \$293 |

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, 2005**

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Grants | | \$341,161 | \$341,161 |
| Fees Charged to Subdivisions | \$50,706 | | 50,706 |
| Local Sources | 22,500 | | 22,500 |
| Other Receipts | 3,257 | 2,483 | 5,740 |
| | | | |
| Total Cash Receipts | 76,463 | 343,644 | 420,107 |
| Cash Disbursements: | | | |
| Salaries | 82,511 | 54,443 | 136,954 |
| Supplies | 10,172 | 8,924 | 19,096 |
| Equipment | 1,075 | 270,848 | 271,923 |
| Contracts - Services | 8,638 | 3,687 | 12,325 |
| Travel | 545 | | 545 |
| Reimbursement | | 18,900 | 18,900 |
| Cost Allocation | 4,000 | | 4,000 |
| Other | 239 | 85 | 324 |
| | | | |
| Total Disbursements | 107,180 | 356,887 | 464,067 |
| Total Receipts Over/(Under) Disbursements | (30,717) | (13,243) | (43,960) |
| Fund Cash Balances, January 1 | 59,682 | 32,849 | 92,531 |
| Fund Cash Balances, December 31 | <u>\$28,965</u> | <u>\$19,606</u> | <u>\$48,571</u> |
| Reserve for Encumbrances, December 31 | <u>\$1,589</u> | <u>\$6,620</u> | <u>\$8,209</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, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Emergency Management Agency, Auglaize County, (the Agency), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency is 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 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

As the Ohio Revised Code requires, the Auglaize County Treasurer is the custodian of the Agency's monies. The County holds the Agency's assets in its cash and investment pool, 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 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.

2. Special Revenue Funds

These funds 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, 2006 AND 2005
(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 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.

2. EQUITY IN CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits 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, 2006 and 2005 was as follows:

| | <u>2006</u> | <u>2005</u> |
|-----------------|-----------------|-----------------|
| County Treasury | <u>\$54,587</u> | <u>\$48,571</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, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|--|------------------------------|----------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$151,690 | \$85,759 | (\$65,931) |
| Special Revenue | 125,273 | 135,070 | 9,797 |
| Total | \$276,963 | \$220,829 | (\$56,134) |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$151,690 | \$72,140 | \$79,550 |
| Special Revenue | 125,273 | 142,966 | (17,693) |
| Total | \$276,963 | \$215,106 | \$61,857 |

| 2005 Budgeted vs. Actual Receipts | | | |
|--|------------------------------|----------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$269,000 | \$76,463 | (\$192,537) |
| Special Revenue | 394,020 | 343,644 | (50,376) |
| Total | \$663,020 | \$420,107 | (\$242,913) |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$166,246 | \$108,769 | \$57,477 |
| Special Revenue | 426,500 | 363,507 | 62,993 |
| Total | \$592,746 | \$472,276 | \$120,470 |

4. SUBDIVISION ASSESSMENTS

The subdivision fees are assessed annually and are apportioned to each subdivision according to the last available census. Each subdivision was assessed \$.55 per capita in 2006 and 2005 to fund the general operations of the Agency.

5. RETIREMENT SYSTEMS

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 retirement benefits, including postretirement healthcare, and survivor and disability benefits.

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 OPERS members contributed 9.0 percent of their gross salaries and for 2005 OPERS members contributed 8.5 percent of their gross salaries. The Agency contributed an amount equal to 13.7 percent of participants' gross salaries in 2006 and 13.55 percent of participant's gross salaries in 2005. The Agency has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

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

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Management cannot presently determine amounts which may be disallowed. However, based on prior experience, management believes any refunds would be immaterial.



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*

Emergency Management Agency
Auglaize County
209 South Blackhoof Street
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, 2006 and 2005, and have issued our report thereon dated May 31, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings as 2006-001 to be a significant deficiency in internal control over financial reporting.

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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2006-001 is a material weakness.

We also noted certain internal control matters that we reported to the Agency's management in a separate letter dated May 31, 2007.

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 matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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



Mary Taylor, CPA
Auditor of State

May 31, 2007

**EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Proper Accounting for Grant Funds

28 CFR Subpart C, Section 70.21(a)(2) states that the recipients financial management systems must provide 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 accounted for 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. Also, the lack of procedures in place for reporting financial transactions in the appropriate funds could result in a material misstatement of the financial statements.

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. Care should be taken to report financial transactions in the appropriate fund.

Client Response:

We acknowledge that the grants funds need to be placed in separate line item accounts, but we want to expand on why there was a delay in getting this implemented. Over the past two years, the EMA office has been trying to achieve this. The delay in completing this task has been out of this office's control, but with the retirement of the county auditor and the predecessor in this office we have moved forward with meeting the requirements.

During the past year, we have made improvements in our office for tracking these grants and now with a new county auditor, we will have separate line items and sub-accounts set up for each grant received.

Again, we just wanted to explain that this finding was the result of things over which this office had no control and you should be able to see that things are now being done according to your recommendations.

EMERGENCY MANAGEMENT AGENCY
AUGLAIZE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--|-------------------------|--|
| 2004-001 | 28 CFR Subpart C, Section 70.21 Proper Accounting for Grant Funds | No | Repeated as Finding 2006-001 |



Mary Taylor, CPA
Auditor of State

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
JULY 3, 2007**