



Dave Yost • Auditor of State

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) -- All Governmental Fund Types - For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Shelby County Emergency Management Agency
Shelby County
800 Fair Road
Sidney, Ohio 45365

To the Executive Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Shelby County Emergency Management Agency, Shelby County, (the Agency) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Agency's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Agency prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Agency does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Agency as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Shelby County Emergency Management Agency, Shelby County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2017

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Assessments	\$25,404		\$25,404
Intergovernmental		\$92,877	92,877
Miscellaneous	705		705
County Funding	60,000		60,000
Contract Services	14,000		14,000
Donations	3,800		3,800
	<hr/>		<hr/>
<i>Total Cash Receipts</i>	103,909	92,877	196,786
	<hr/>		<hr/>
Cash Disbursements:			
Current Disbursements:			
Pass Through to Other Entities		23,011	23,011
Salaries	15,106	20,833	35,939
Medicare	214	308	522
Supplies	479	704	1,183
Equipment	11,575	1,259	12,834
Gasoline	413	557	970
Contract Services	2,112	1,715	3,827
Comminucations	561	10,500	11,061
PERS	2,075	3,066	5,141
Workers Comp	252	248	500
Other Expenses	1,944	548	2,492
Utilities	6,347	9,521	15,868
HazMat	430		430
HazMat Equipment	3,939		3,939
HazMat Training and Response	2,861		2,861
Health Insurance	5,334	9,897	15,231
Mitigation Grant - Contract Services		10,710	10,710
	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	53,642	92,877	146,519
	<hr/>		<hr/>
<i>Excess Receipts Over Disbursements</i>	50,267	0	50,267
	<hr/>		<hr/>
<i>Fund Cash Balances, January 1</i>	82,145	200	82,345
	<hr/>		<hr/>
Fund Cash Balances, December 31			
Restricted		200	200
Assigned	25,924		25,924
Unassigned (Deficit)	106,488		106,488
	<hr/>		<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$132,412</u>	<u>\$200</u>	<u>\$132,612</u>

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

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Assessments	\$25,408		\$25,408
Intergovernmental	500	38,733	39,233
Miscellaneous	1,352		1,352
County Funding	60,000		60,000
Contract Services	14,000		14,000
<i>Total Cash Receipts</i>	<u>101,260</u>	<u>38,733</u>	<u>139,993</u>
Cash Disbursements:			
Current Disbursements:			
Salaries	24,242	10,759	35,001
Medicare	330	146	476
Supplies	2,286	1,695	3,981
Equipment	631	2,587	3,218
Gasoline	736	327	1,063
Contract Services	6,301	787	7,088
Comminucations	10,860	7,883	18,743
PERS	3,314	1,586	4,900
Workers Comp	315	229	544
Other Expenses	3,548	788	4,336
Utilities	10,648	5,324	15,972
HazMat	516		516
HazMat Equipment	2,003		2,003
HazMat Training and Response	1,950		1,950
Health Insurance	11,798	5,422	17,220
Mitigation Grant - Contract Services		1,000	1,000
<i>Total Cash Disbursements</i>	<u>79,478</u>	<u>38,533</u>	<u>118,011</u>
<i>Excess Receipts Over Disbursements</i>	<u>21,782</u>	<u>200</u>	<u>21,982</u>
<i>Fund Cash Balances, January 1</i>	<u>60,363</u>	<u>0</u>	<u>60,363</u>
Fund Cash Balances, December 31			
Restricted		200	200
Assigned	19,712		19,712
Unassigned (Deficit)	62,433		62,433
<i>Fund Cash Balances, December 31</i>	<u>\$82,145</u>	<u>\$200</u>	<u>\$82,345</u>

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

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Shelby County Emergency Management Agency, Shelby County, (the Agency) as a body corporate and politic. A twenty-five member Advisory Committee is responsible for the development of a county-wide emergency operation plan and is responsible for appointing an Executive Committee who governs the Agency pursuant to the Ohio Revised Code 5502.26. The Executive Committee is responsible for appointment of a coordinator who is responsible for coordinating, organizing, administering, and operating emergency management in accordance with the Agency's Plan.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

As the Ohio Revised Code permits, the Shelby County Treasurer holds the Agency's deposits as the Agency's custodian. The County holds the Agency's assets in its investment pool, valued at the County Treasurer's reported carrying amount.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Agency had the following significant Special Revenue Fund:

EMPG Funds – These funds are used to account for the Emergency Management Performance Grant (EMPG) financial activity, which consists of operating reimbursements and special projects.

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 the fiscal agent, and the Agency follows the budgetary procedures required by the County.

1. Appropriations

The Executive Committee annually approves appropriation measures and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level, and appropriations may not exceed estimated resources. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Agency reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Agency must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Agency classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Executive Committee can *commit* amounts via formal action (resolution). The Agency must adhere to these commitments unless the Executive Committee amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Executive Committee or an Agency official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Agency applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 County Treasurer, as Fiscal Agent for the Agency, maintains a cash and investment pool used by all County funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount for the Agency's portion of cash and investments as of December 31, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$132,612	\$82,345

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 was as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,463	\$103,909	(\$45,554)
Special Revenue	137,909	92,877	(45,032)
Total	\$287,372	\$196,786	(\$90,586)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,175	\$53,642	\$115,533
Special Revenue	137,630	92,877	44,753
Total	\$306,805	\$146,519	\$160,286

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,701	\$101,260	(\$45,441)
Special Revenue	10,432	38,733	28,301
Total	\$157,133	\$139,993	(\$17,140)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,533	\$79,478	\$92,055
Special Revenue	10,432	38,533	(28,101)
Total	\$181,965	\$118,011	\$63,954

4. 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 this plan's retirement benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Agency contributed an amount equal to 14% of the participants' gross salaries. The Agency has paid all contributions required through December 31, 2015.

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

The Agency received financial assistance from federal and state agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial condition of the Agency at December 31, 2015 and 2014.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Shelby County Emergency Management Agency
Shelby County
800 Fair Road
Sidney, Ohio 45365

To the Executive Committee:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Shelby County Emergency Management Agency, Shelby County, (the Agency) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 8, 2017 wherein we noted the Agency followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Agency's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Agency's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
Columbus, Ohio

February 8, 2017

**SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Financial Statement Errors

The Agency's 2015 and 2014 financial statements contained various errors. The Agency's financial statements were adjusted to correct the following errors primarily related to double recording certain activity for reimbursement-type grants:

- At year-end 2014 for the General Fund, grant revenue was overstated by \$35,024 and various expenditure line items were also overstated by a total of \$35,024.
- At year-end 2014 for the Special Revenue Fund, various expenditure line items were overstated by a total of \$6,613. This led to an understated ending fund balance in the same amount.
- At year-end 2015 for the General Fund, grant revenue was overstated by \$59,156 and various expenditure line items were also overstated by a total of \$59,156.
- At year-end 2015 for the Special Revenue Fund, salary expenditures were overstated by \$2,282. This led to an understated ending fund balance in the same amount.
- For 2015, opening Special Revenue Fund balance was understated by \$200.

The above errors related only to the Agency's financial statements.

Failure to properly record revenues, expenditures, and balances on the financial statements could lead to misleading financial statement information and financial statement adjustments.

The Agency should implement procedures to account for activity correctly on the annual financial statements. For reimbursement-type grant revenue, the Agency should account for the revenue in the proper Special Revenue Fund and then re-allocate the disbursements from the General Fund to the appropriate grant fund based on the grant amounts and purpose of the grant funds for financial statement purposes.

Officials' Response:

We did not receive a response from Officials to this finding.

This page intentionally left blank.



Dave Yost • Auditor of State

SHELBY COUNTY EMERGENCY MANAGEMENT AGENCY

SHELBY 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
MARCH 16, 2017**