



**Auditor of State  
Betty Montgomery**



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Year Ended December 31, 2005.....	3
Statement of Net Assets – Cash Basis - December 31, 2005.....	7
Statement of Activities – Cash Basis - For the Year Ended December 31, 2005.....	8
Statement of Assets and Fund Balances - Cash Basis Governmental Funds – December 31, 2005.....	9
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances Cash Basis - Governmental Funds - For the Year Ended December 31, 2005.....	10
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis - General Fund - For the Year Ended December 31, 2005.....	11
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – Special Emergency Fund - For the Year Ended December 31, 2005.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis - Hazmat Fund - For the Year Ended December 31, 2005.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – State Homeland Security Fund - For the Year Ended December 31, 2005.....	14
Notes to the Basic Financial Statements For the Year Ended December 31, 2005.....	15
Management's Discussion and Analysis For the Year Ended December 31, 2004.....	21
Statement of Net Assets – Cash Basis - For the Year Ended December 31, 2004.....	25
Statement of Activities – Cash Basis - For the Year Ended December 31, 2004.....	26
Statement of Assets and Fund Balances - Cash Basis Governmental Funds – For the Year Ended December 31, 2004.....	27

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances Cash Basis - Governmental Funds - For the Year Ended December 31, 2004 .....	28
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis - General Fund - For the Year Ended December 31, 2004 .....	29
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – Special Emergency Fund - For the Year Ended December 31, 2004 .....	30
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – Department of Justice Fund - For the Year Ended December 31, 2004 .....	31
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – Fire and Rescue Trust Fund- For the Year Ended December 31, 2004 .....	32
Notes to the Basic Financial Statements For Year Ended December 31, 2004 .....	33
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	39



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Office of Homeland Security and Emergency Management  
Shelby County  
800 Fair Road  
Sidney, Ohio 45365

To the Executive Committee:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Office of Homeland Security and Emergency Management, Shelby County, (the Agency), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Agency's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Office of Homeland Security and Emergency Management, Shelby County, as of December 31, 2005 and 2004, and the respective changes in cash financial position, and the budgetary comparisons for the General Fund and the Special Emergency, Hazmat, and State Homeland Security, Special Revenue Funds for 2005, and the General Fund, Special Emergency, Department of Justice, and Fire and Rescue Trust, Special Revenue Funds for 2004, and for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 8, 2006

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Office of Homeland Security and Emergency Management, Shelby County, (the Agency) financial performance provides an overall review of the Agency's financial activities for the year ended December 31, 2005, within the limitations of the Agency's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Agency's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$14,947, or 24 percent.
- The Agency's receipts are primarily intergovernmental grants and contributions, which accounted for 97.5 percent of the total cash received during the year. The largest grant revenue for 2005 was from the Homeland Security Grant. This grant provides funds for the homeland security and emergency operations planning: the purchase of specialized equipment for terrorism incidents involving the use of chemical, biological, radiological, nuclear and explosive weapons. It also provides for training and planning of strategies. All funds are expended by the use of an advisory committee. The other 2.5 percent of receipts were charges for services provided, subdivision assessments and a county allocation for operations.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Agency's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Agency as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Agency as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Agency has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Agency's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the Agency as a Whole**

The statement of net assets and the statement of activities reflect how the Agency did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Agency at year-end. The statement of activities compares cash disbursements with program receipts for the Public Safety Program, the Agency's only program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the Agency's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Agency's financial health. Over time, increases or decreases in the Agency's cash position is one indicator of whether the Agency's financial health is improving or deteriorating. When evaluating the Agency's financial condition, you should also consider other non-financial factors as well such as the condition of the Agency's capital assets and the reliance on non-local financial resources for operations.

**Reporting the Agency's Most Significant Funds**

Fund financial statements provide detailed information about the Agency's major funds – not the Agency as a whole. The Agency establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Agency are all governmental. The fund financial statements provide a detailed view of the Agency's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the Agency's activities. The Agency's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Agency's major funds are the General Fund, the Special Emergency Fund, the Hazmat Fund and the State Homeland Security Fund.

**The Agency as a Whole**

Table 1 provides a summary of the Agency's net assets for 2005 compared to 2004 on a cash basis:

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<u><b>2005</b></u>	<u><b>2004</b></u>
Cash and Cash Equivalents	\$47,248	\$62,195
Total Assets	<u>\$47,248</u>	<u>\$62,195</u>
 <b>Net Assets</b>		
Restricted for:		
Other Purposes	44,391	57,688
Unrestricted	<u>2,857</u>	<u>4,507</u>
Total Net Assets	<u>\$47,248</u>	<u>\$62,195</u>

As mentioned previously, net assets of governmental activities decreased \$14,947 or 24 percent during 2005. The primary reason for the decrease in cash balances was that more was spent on activities than grant monies received.



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2005. It also shows a comparative analysis with the changes in 2004.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Receipts:</b>		
Program Receipts:		
Charges for Services	\$ 8,000	\$ 8,000
Operating Grants and Contributions	123,586	69,264
Capital Grants and Contributions	195,328	203,660
Total Program Receipts	<u>326,914</u>	<u>280,924</u>
General Receipts:		
Subdivision Assessments	11,736	11,925
County Allocation	68,728	70,000
Miscellaneous	400	4,640
Total General Receipts	<u>80,864</u>	<u>86,565</u>
Total Receipts	<u>407,778</u>	<u>367,489</u>
Disbursements:		
Public Safety	<u>422,725</u>	<u>459,548</u>
Total Disbursements	<u>422,725</u>	<u>459,548</u>
Increase (Decrease) in Net Assets	(14,947)	(92,059)
Net Assets, January 1	<u>62,195</u>	<u>154,254</u>
Net Assets, December 31	<u>\$47,248</u>	<u>\$62,195</u>

Receipts of the Agency are program and general receipts. The program receipts are primarily comprised of intergovernmental grants and contributions, which represented 80.2 percent of total receipts for 2005. The Agency general receipts are in the form of subdivision assessments and a county allocation for operations.

The Agency's only program is Public Safety, which includes the Office of Homeland Security and the Emergency Management Agency. The Agency is charged with the county planning for disasters or emergencies. It is the local contact for state and federal agencies during these events. It is also charged with community preparedness. The Agency also coordinates the Local Emergency Planning Committee, Shelby County Fire Department, Shelby County HazMat Team, and sponsors training for first responders. During 2005, the Agency spent slightly more than it received for these purposes.

**Governmental Activities**

If you look at the Statement of Activities on page 8, you will see that the first column lists the only program of the Agency. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for a service or grants and contributions received by the Agency that must be used to provide a specific service.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)**

	<b>Governmental Activities</b>		
	<b>Total Cost Of Services 2005</b>	<b>Program Receipts 2005</b>	<b>Net Cost of Services 2005</b>
Public Safety	<u>\$422,725</u>	<u>\$326,914</u>	<u>\$95,811</u>

**The Agency's Funds**

The only funds of the Agency are governmental funds. Total fund receipts were \$407,778 and total fund disbursements were \$422,725 for 2005. The greatest change within the funds occurred in the Special Emergency Fund, which had a decrease in fund balance of \$8,411. This was the result of Hazmat and Red Cross training expenses.

**Capital Assets**

The Agency does keep track of its capital assets with a software package administered by the County. The Director receives a report every year in December for his review of the capital assets. The Agency does not report capital assets on its financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Office of Homeland Security and Emergency Management, Shelby County does not receive any taxes so the level of service provided is largely relational to the amount of grant funding it receives. The Agency's management works hard to find funding sources and manage those sources to provide the best services it can to the residents of Shelby County.

**Contacting the Agency's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Agency's finances and to reflect the Agency's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tom S. Cisco (Director) Office Phone #937-492-5635, Cell 937-538-6968, Fax 937-492-8508, email shcoema@who.rr.com.

OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$47,248
Investments	
Total Assets	<u>47,248</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	44,391
Unrestricted	<u>2,857</u>
<b>Total Net Assets</b>	<u>\$47,248</u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

		<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
	<u>Cash Disbursements</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
Public Safety	\$422,725	\$8,000	\$123,586	\$195,328	(\$95,811)
<b>Total Governmental Activities</b>	<u>\$422,725</u>	<u>\$8,000</u>	<u>\$123,586</u>	<u>\$195,328</u>	(95,811)
			<b>General Receipts</b>		
			Subdivision Assessment		11,736
			County Allocation		68,728
			Miscellaneous		400
			Total General Receipts		<u>80,864</u>
			Change in Net Assets		(14,947)
			Net Assets Beginning of Year		<u>62,195</u>
			<b>Net Assets End of Year</b>		<u><u>\$47,248</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Special Emergency</u>	<u>Hazmat</u>	<u>State Homeland Security</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,857	\$37,623	\$5,526		\$1,242	\$47,248
Total Assets	<u>2,857</u>	<u>37,623</u>	<u>5,526</u>		<u>1,242</u>	<u>47,248</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances					210	210
Unreserved:						
Undesignated, Reported in:						
General Fund	2,857					2,857
Special Revenue Funds		37,623	5,526		1,032	44,181
<b>Total Fund Balances</b>	<u>\$2,857</u>	<u>\$37,623</u>	<u>\$5,526</u>	<u>\$0</u>	<u>\$1,242</u>	<u>\$47,248</u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Emergency</u>	<u>Hazmat</u>	<u>State Homeland Security</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Contract Services	\$8,000					\$8,000
Intergovernmental	109,250	\$20,045		\$195,328	\$73,141	397,764
Gifts and Donations					1,614	1,614
Miscellaneous	400					400
<b>Total Receipts</b>	<b>117,650</b>	<b>20,045</b>		<b>195,328</b>	<b>74,755</b>	<b>407,778</b>
<b>Disbursements</b>						
Current:						
Public Safety	119,300	28,456		195,328	79,641	422,725
<b>Total Disbursements</b>	<b>119,300</b>	<b>28,456</b>		<b>195,328</b>	<b>79,641</b>	<b>422,725</b>
Excess of Receipts Over (Under) Disbursements	(1,650)	(8,411)			(4,886)	(14,947)
Fund Balances Beginning of Year	4,507	46,034	\$5,526		6,128	62,195
<b>Fund Balances End of Year</b>	<b>\$2,857</b>	<b>\$37,623</b>	<b>\$5,526</b>	<b>\$0</b>	<b>\$1,242</b>	<b>\$47,248</b>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Contract Services	\$8,000	\$8,000	\$8,000	
Intergovernmental	99,470	105,293	109,250	\$3,957
Miscellaneous	5,000	5,000	400	(4,600)
<b>Total Receipts</b>	<u>112,470</u>	<u>118,293</u>	<u>117,650</u>	<u>(643)</u>
<b>Disbursements</b>				
Current:				
Public Safety	116,977	120,771	119,300	1,471
<b>Total Disbursements</b>	<u>116,977</u>	<u>120,771</u>	<u>119,300</u>	<u>1,471</u>
Net Change in Fund Balance	(4,507)	(2,478)	(1,650)	828
Fund Balance Beginning of Year	<u>4,507</u>	<u>4,507</u>	<u>4,507</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$2,029</u></u>	<u><u>\$2,857</u></u>	<u><u>\$828</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
SPECIAL EMERGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$20,000	\$20,000	\$20,045	\$45
Total Receipts	20,000	20,000	20,045	45
<b>Disbursements</b>				
Current:				
Public Safety	56,200	56,200	28,456	27,744
Total Disbursements	56,200	56,200	28,456	27,744
Net Change in Fund Balance	(36,200)	(36,200)	(8,411)	27,789
Fund Balance Beginning of Year	46,034	46,034	46,034	
<b>Fund Balance End of Year</b>	<u><u>\$9,834</u></u>	<u><u>\$9,834</u></u>	<u><u>\$37,623</u></u>	<u><u>\$27,789</u></u>

*See accompanying notes to the basic financial statements.*



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
HAZMAT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Total Receipts				
<b>Disbursements</b>				
Total Disbursements				
Net Change in Fund Balance				
Fund Balance Beginning of Year	<u>\$5,526</u>	<u>\$5,526</u>	<u>\$5,526</u>	
<b>Fund Balance End of Year</b>	<u><u>\$5,526</u></u>	<u><u>\$5,526</u></u>	<u><u>\$5,526</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
STATE HOMELAND SECURITY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$195,328	\$195,328	\$195,328	
Total Receipts	195,328	195,328	195,328	
<b>Disbursements</b>				
Current:				
Public Safety	195,328	195,328	195,328	
Total Disbursements	195,328	195,328	195,328	
Net Change in Fund Balance				
Fund Balance Beginning of Year				
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. DESCRIPTION OF THE OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT**

The Office of Homeland Security and Emergency Management, Shelby County, (the Agency) was organized under Ohio Revised Code Section 5502.26 to establish a program for county wide emergency management operations. The Agency has a seven member executive committee appointed by a county wide advisory group. The executive committee consists of a county commissioner, five chief executives representing the municipal corporations and townships and one non-elected representative. The executive committee appoints a director that is responsible for organizing, administering, and operating emergency management in accordance with the Agency's established program.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations ensuring that the financial statements are not misleading. The primary government consists of all funds that are not legally separate from the Agency. For acceptable Other Comprehensive Basis of Accounting (OCBOA), this includes general operations.

The Agency's management believes these financial statements present all activities for which the Agency is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Agency's accounting policies.

**A. Basis of Presentation**

The Agency's basic financial statements consist of government-wide financial statements, which consist of a statement of net assets and a statement of activities, and fund financial statements which provide more detailed financial information.

- 1. Government-wide Financial Statements** - These statements display information about the Agency as a whole. The government-wide statement of activities compares disbursements with program receipts for each function or program of the Agency's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Agency is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a cash basis or draws from the Agency's general receipts.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

2. **Fund Financial Statements** - The fund financial statements report more detailed information about the Agency. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column.

**B. Fund Accounting**

The Agency uses fund accounting to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self balancing set of accounts. The Agency classifies its funds as governmental.

1. **Governmental Funds** - The Agency classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Agency's major governmental funds:

**General Fund** - The general fund is the general operating fund of the Agency and always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Emergency Planning Fund** – This fund receives state grants to prepare Shelby County for hazardous material emergencies. These funds are administered by the Agency under an agreement with the Local Emergency Planning Committee (LEPC).

**Hazmat Fund** – This fund has a remaining balance of a prior year reimbursement grant. The Agency is in the process of obtaining a court order to transfer this remaining balance to the General Fund.

**State Homeland Security Grant Fund** - This fund receives grants for the homeland security and emergency operations planning: the purchase of specialized equipment for terrorism incidents involving the use of chemical, biological, radiological, nuclear or explosive weapons. This grant also provides for training and planning strategies. All funds are expended by the use of an advisory committee.

The other governmental funds of the Agency account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Agency's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Commission's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**D. Budgetary Process**

Although not legally required to follow budgetary procedures, the Agency prepares a budget and adopts appropriations. The major documents prepared are the budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The budget demonstrates a need for existing or additional funding. The certificate of estimated resources is prepared to establish a limit on the amount the Agency may appropriate. The appropriations resolution is the Agency's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Agency members. The legal level of control has been established by the Agency at the fund, function, and object level.

Estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Agency. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Agency

**E. Cash and Cash Equivalents**

The County Treasurer is the custodian for the Agency's cash and investments. The County's cash and investment pool holds the Agency's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

**F. Inventory and Prepaid Items**

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these items as assets.

**H. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Agency's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Commission recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Fund Balance Reserves**

The Agency reserves those portions of fund equity which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**K. Net Assets**

The statements report restricted net assets when grantors have imposed limitations on their use. The Agency first applies restricted resources when a disbursement occurs for which both restricted and unrestricted net assets are available.

**3. EQUITY IN POOLED CASH**

The Shelby County Auditor acts as the fiscal agent for the Office of Homeland Security and Emergency Management and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool all County funds are commingled, the risk involved and the preferential claim of the Agency cannot be determined.

The Shelby County Auditor's records indicated the Agency's cash balance as of December 31, 2005, was \$47,248.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances at year end for the presented budgetary statements.

**5. RISK MANAGEMENT**

**A. Commercial Insurance**

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public Officials Liability; and
- Errors and omissions.

**B. Employee Medical Benefits**

The Agency provides health insurance and dental and vision coverage are available to full-time employees through Shelby County's policy with the Midwest Benefit Consortium, a risk sharing pool.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

The Agency participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Agency's required contributions to OPERS for pension benefits for the years ended December 31, 2005, 2004, and 2003 were \$3,990, \$3,896, and \$4,444 respectively.

**7. POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 percent to 6 percent for the next 8 years. In the 9<sup>th</sup> year and beyond, health care costs were assumed to increase at 4.00 annually (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 375,076. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$1,671. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**8. CONTINGENCIES**

**A. Grants**

The Agency receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2005 will not have a material adverse effect on the Agency.



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

This discussion and analysis of the Office of Homeland Security and Emergency Management, Shelby County, (the Agency) financial performance provides an overall review of the Agency's financial activities for the year ended December 31, 2004, within the limitations of the Agency's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Agency's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$92,059, or 60 percent. The primary reason for the decrease in cash balances was that grant funds were received in 2003 but not spent until 2004.
- The Agency's receipts are primarily intergovernmental grants and contributions, which accounted for 93.5 percent of the total cash received during the year. The largest grant revenue for 2004 was from the Department of Justice Grant. This grant provides funds for the homeland security and emergency operations planning: the purchase of specialized equipment for terrorism incidents involving the use of chemical, biological, radiological, nuclear and explosive weapons. It also provides for training and planning of strategies. All funds are expended by the use of an advisory committee. The other 6.5 percent of receipts were contract services, subdivision assessments and a county allocation for operations.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Agency's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Agency as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Agency as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Agency has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Agency's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Reporting the Agency as a Whole**

The statement of net assets and the statement of activities reflect how the Agency did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Agency at year-end. The statement of activities compares cash disbursements with program receipts for the Public Safety Program, the Agency's only program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the Agency's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Agency's financial health. Over time, increases or decreases in the Agency's cash position is one indicator of whether the Agency's financial health is improving or deteriorating. When evaluating the Agency's financial condition, you should also consider other non-financial factors as well such as the condition of the Agency's capital assets and the reliance on non-local financial resources for operations.

**Reporting the Agency's Most Significant Funds**

Fund financial statements provide detailed information about the Agency's major funds – not the Agency as a whole. The Agency establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Agency are all governmental. The fund financial statements provide a detailed view of the Agency's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the Agency's activities. The Agency's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Agency's major funds are the General Fund, the Special Emergency Fund, the Department of Justice Fund, and the Fire Rescue Trust Fund.

**The Agency as a Whole**

Table 1 provides a summary of the Agency's net assets for 2004 compared to 2003 on a cash basis:

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<u><b>2004</b></u>	<u><b>2003</b></u>
Cash and Cash Equivalents	<u>\$62,195</u>	<u>\$154,254</u>
Total Assets	<u>\$62,195</u>	<u>\$154,254</u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes	57,688	150,992
Unrestricted	<u>4,507</u>	<u>3,262</u>
Total Net Assets	<u>\$62,195</u>	<u>\$154,254</u>

As mentioned previously, net assets of governmental activities decreased \$92,059 or 60 percent during 2004. The primary reason for the decrease in cash balances was that grant funds were received in 2003 but not spent until 2004.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2004. Since the Agency did not prepare financial statements in this format in 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

	<b>Governmental Activities 2004</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Services	\$ 8,000
Operating Grants and Contributions	69,264
Capital Grants and Contributions	203,660
Total Program Receipts	280,924
General Receipts:	
Subdivision Assessments	11,925
County Allocations	70,000
Miscellaneous	4,640
Total General Receipts	86,565
Total Receipts	367,489
<b>Disbursements:</b>	
Public Safety	459,548
Total Disbursements	459,548
Increase (Decrease) in Net Assets	(92,059)
Net Assets, January 1	154,254
<b>Net Assets, December 31</b>	<b>\$ 62,195</b>

Receipts of the Agency are program and general receipts. The program receipts are primarily comprised of intergovernmental grants and contributions, which represented 76.5 percent of total receipts for 2004. The general receipts are in the form of subdivision assessments and a county allocation for operations.

The Agency's only program is Public Safety, which includes the Office of Homeland Security and the Emergency Management Agency. The Agency is charged with the county planning for disasters or emergencies. It is the local contact for state and federal agencies during these events. It is also charged with community preparedness. The Agency also coordinates the Local Emergency Planning Committee, Shelby County Fire Department, Shelby County HazMat Team, and sponsors training for first responders. During 2004, the Agency spent more than it took in for these purposes.

**Governmental Activities**

If you look at the Statement of Activities on page 26, you will see that the first column lists the only program of the Agency. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the Agency that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2004</b>	<b>Program Receipts 2004</b>	<b>Net Cost of Services 2004</b>
Public Safety	\$459,548	\$280,924	\$178,624

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**The Agency's Funds**

The only funds of the Agency are governmental funds. Total funds receipts were \$367,489 and total fund disbursements were \$459,548 for 2004. The greatest change within the funds occurred in the Fire Rescue Trust Fund, which had a decrease in fund balance of \$83,404. This was the result of the timing of grant receipts and expenditures among years.

**Capital Assets**

**Capital Assets**

The Agency does keep track of its capital assets with a software package administered by the County. The Director receives a report every year in December for his review of the capital assets. The Agency does not report capital assets on its financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Office of Homeland Security and Emergency Management, Shelby County does not receive any taxes so the level of service provided is largely relational to the amount of grant funding it receives. The Agency's management works hard to find funding sources and manage those sources to provide the best services it can to the residents of Shelby County.

**Contacting the Agency's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Agency's finances and to reflect the Agency's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tom S. Cisco, (Director), Office Phone #937-492-5635, Cell 937-538-6968, Fax 937-492-8508, or email [shcoema@who.rr.com](mailto:shcoema@who.rr.com).

OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$62,195</u>
Total Assets	<u><u>62,195</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	57,688
Unrestricted	<u>4,507</u>
<b>Total Net Assets</b>	<u><u>\$62,195</u></u>

*See accompanying notes to the basic financial statements.*



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Special Emergency</u>	<u>Department of Justice</u>	<u>Fire Rescue Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$4,507	\$46,034	\$10	\$3,756	\$7,888	\$62,195
Total Assets	<u>4,507</u>	<u>46,034</u>	<u>10</u>	<u>3,756</u>	<u>7,888</u>	<u>62,195</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances			933	2,435		3,368
Unreserved:						
Undesignated, Reported in:						
General Fund	4,507					4,507
Special Revenue Funds		46,034	(923)	1,321	7,888	54,320
<b>Total Fund Balances</b>	<u>\$4,507</u>	<u>\$46,034</u>	<u>\$10</u>	<u>\$3,756</u>	<u>\$7,888</u>	<u>\$62,195</u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Emergency</u>	<u>Department of Justice</u>	<u>Fire Rescue Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Contract Services	\$8,000					\$8,000
Intergovernmental	110,712	\$21,871	\$188,048	\$15,612	\$7,468	343,711
Gifts and Donations	4,640			11,138		15,778
<b>Total Receipts</b>	<b>123,352</b>	<b>21,871</b>	<b>188,048</b>	<b>26,750</b>	<b>7,468</b>	<b>367,489</b>
<b>Disbursements</b>						
Current:						
Public Safety	122,107	27,151	195,030	110,154	5,106	459,548
<b>Total Disbursements</b>	<b>122,107</b>	<b>27,151</b>	<b>195,030</b>	<b>110,154</b>	<b>5,106</b>	<b>459,548</b>
Excess of Receipts Over (Under) Disbursements	1,245	(5,280)	(6,982)	(83,404)	2,362	(92,059)
Fund Balances Beginning of Year	3,262	51,314	6,992	87,160	5,526	154,254
<b>Fund Balances End of Year</b>	<b>\$4,507</b>	<b>\$46,034</b>	<b>\$10</b>	<b>\$3,756</b>	<b>\$7,888</b>	<b>\$62,195</b>

*See accompanying notes to the basic financial statements.*



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Contract Services	\$8,000	\$8,000	\$8,000	
Intergovernmental	106,000	107,786	110,712	\$2,926
Gifts and Donations	500	5,140	4,640	(500)
	<u>114,500</u>	<u>120,926</u>	<u>123,352</u>	<u>2,426</u>
<b>Disbursements</b>				
Current:				
Public Safety	117,762	124,188	122,107	2,081
	<u>117,762</u>	<u>124,188</u>	<u>122,107</u>	<u>2,081</u>
Net Change in Fund Balance	(3,262)	(3,262)	1,245	4,507
Fund Balance Beginning of Year	2,412	2,412	2,412	
Prior Year Encumbrances Appropriated	850	850	850	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$4,507</u></u>	<u><u>\$4,507</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
SPECIAL EMERGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Intergovernmental	\$17,000	\$17,000	\$21,871	\$4,871
Total Receipts	17,000	17,000	21,871	4,871
<b>Disbursements</b>				
Current:				
Public Safety	56,200	56,200	27,151	29,049
Total Disbursements	56,200	56,200	27,151	29,049
Net Change in Fund Balance	(39,200)	(39,200)	(5,280)	33,920
Fund Balance Beginning of Year	51,314	51,314	51,314	
<b>Fund Balance End of Year</b>	<u>\$12,114</u>	<u>\$12,114</u>	<u>\$46,034</u>	<u>\$33,920</u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
DEPARTMENT OF JUSTICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$236,304	\$236,304	\$188,048	(\$48,256)
Total Receipts	<u>236,304</u>	<u>236,304</u>	<u>188,048</u>	<u>(48,256)</u>
<b>Disbursements</b>				
Current:				
Public Safety	222,478	222,478	195,963	26,515
Total Disbursements	<u>222,478</u>	<u>222,478</u>	<u>195,963</u>	<u>26,515</u>
Net Change in Fund Balance	13,826	13,826	(7,915)	(21,741)
Fund Balance Beginning of Year	(82,292)	(82,292)	(82,292)	
Prior Year Encumbrances Appropriated	<u>89,284</u>	<u>89,284</u>	<u>89,284</u>	
<b>Fund Balance End of Year</b>	<u><u>\$20,818</u></u>	<u><u>\$20,818</u></u>	<u><u>(\$923)</u></u>	<u><u>(\$21,741)</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE AND RESCUE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$15,612	\$15,612	\$15,612	
Gifts and Donations	10,000	11,138	11,138	
Total Receipts	<u>25,612</u>	<u>26,750</u>	<u>26,750</u>	
<b>Disbursements</b>				
Current:				
Public Safety	112,789	112,789	112,589	\$200
Total Disbursements	<u>112,789</u>	<u>112,789</u>	<u>112,589</u>	<u>200</u>
Net Change in Fund Balance	(87,177)	(86,039)	(85,839)	200
Fund Balance Beginning of Year	<u>87,160</u>	<u>87,160</u>	<u>87,160</u>	
<b>Fund Balance End of Year</b>	<u><u>(\$17)</u></u>	<u><u>\$1,121</u></u>	<u><u>\$1,321</u></u>	<u><u>\$200</u></u>

*See accompanying notes to the basic financial statements.*

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. DESCRIPTION OF THE OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT**

The Office of Homeland Security and Emergency Management, Shelby County, (the Agency) was organized under Ohio Revised Code Section 5502.26 to establish a program for county-wide emergency management operations. The Agency has a seven member executive committee appointed by a county wide advisory group. The executive committee consists of a county commissioner, five chief executives representing the municipal corporations and townships and one non-elected representative. The executive committee appoints a director that is responsible for organizing, administering, and operating emergency management in accordance with the Agency's established program.

The Agency's management believes these financial statements present all activities for which the Agency is financially accountable.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations ensuring that the financial statements are not misleading. The primary government consists of all funds that are not legally separate from the Agency. For acceptable Other Comprehensive Basis of Accounting (OCBOA), this includes general operations.

The Agency's management believes these financial statements present all activities for which the Agency is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Agency's accounting policies.

**A. Basis of Presentation**

The Agency's basic financial statements consist of government-wide financial statements, which consist of a statement of net assets and a statement of activities, and fund financial statements which provide more detailed financial information.

- 1. Government-wide Financial Statements** - These statements display information about the Agency as a whole. The government-wide statement of activities compares disbursements with program receipts for each function or program of the Agency's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Agency is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a cash basis or draws from the Agency's general receipts.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

2. **Fund Financial Statements** - The fund financial statements report more detailed information about the Agency. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column.

**B. Fund Accounting**

The Agency uses fund accounting to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self balancing set of accounts. The Agency classifies its funds as governmental.

1. **Governmental Funds** - The Agency classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Agency's major governmental funds:

**General Fund** - The general fund is the general operating fund of the Agency and always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Emergency Planning Fund** – This fund receives state grants to prepare Shelby County for hazardous material emergencies. These funds are administered by the Agency under an agreement with the Local Emergency Planning Committee (LEPC).

**Department of Justice Grant Fund** - This fund receives grants for homeland security and emergency operations planning: the purchase of specialized equipment for terrorism incidents involving the use of chemical, biological, radiological, nuclear an explosive weapons. This grant also provides for training and planning strategies. All funds are expended by the use of an advisory committee.

**Fire Rescue Trust Fund** – This fund receives donations and grant funds to be expended on the Agency's fire and rescue units.

The other governmental funds of the Agency account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Agency's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Commission's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**D. Budgetary Process**

Although not legally required to follow budgetary procedures, the Agency prepares a budget and adopts appropriations. The major documents prepared are the budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The budget demonstrates a need for existing or additional funding. The certificate of estimated resources is prepared to establish a limit on the amount the Agency may appropriate. The appropriations resolution is the Agency's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Agency members. The legal level of control has been established by the Agency at the fund, function, and object level.

Estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Agency. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Agency

**E. Cash and Cash Equivalents**

The County Treasurer is the custodian for the Agency's cash and investments. The County's cash and investment pool holds the Agency's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

**F. Inventory and Prepaid Items**

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these items as assets.

**H. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Agency's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Commission recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8 the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Fund Balance Reserves**

The Agency reserves those portions of fund equity which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**K. Net Assets**

The statements report restricted net assets when grantors have imposed limitations on their use. The Agency first applies restricted resources when a disbursement occurs for which both restricted and unrestricted net assets are available.

**3. CHANGE IN PRESENTATION**

For the year ended December 31, 2004, the Agency implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Although the Agency is reporting on the cash basis they have implemented new reporting requirements for cash basis financial statements that changed the fund structure.

**4. EQUITY IN POOLED CASH**

The Shelby County Auditor acts as the fiscal agent for the Office of Homeland Security and Emergency Management and the County Treasurer maintains a cash and investment pool used by all County funds. Because of the nature of the pool all County funds are commingled, the risk involved and the preferential claim of the Agency cannot be determined.

The Shelby County Auditor’s records indicated the Agency’s cash balance as of December 31, 2004, was \$62,195.

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to:

Major Special Revenue Funds:	
Department of Justice Fund	\$ 933
Fire and Rescue Trust Fund	2,435

**6. RISK MANAGEMENT**

**A. Commercial Insurance**

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public Officials Liability; and
- Errors and omissions.



**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Employee Medical Benefits**

The Agency provides health insurance, and dental and vision coverage are available to full-time employees through Shelby County's policy with the Midwest Benefit Consortium, a risk sharing pool.

**7. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

The Agency participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Agency's required contributions to OPERS for pension benefits for the years ended December 31, 2004, 2003, and 2002 were \$3,896, \$4,444, and \$4,388 respectively.

**8. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 percent to 6 percent for the next 8 years. In the 9<sup>th</sup> year and beyond, health care costs were assumed to increase at 4.00 percent annually (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 375,076. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$1,632. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**9. CONTINGENCIES**

**A. Grants**

The Agency receives 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. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2004 will not have a material adverse effect on the Agency.



## 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*

Office of Homeland Security and Emergency Management  
Shelby County  
800 Fair Road  
Sidney, Ohio 45365

To the Executive Committee:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Office of Homeland Security and Emergency Management, Shelby County, (the Agency), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Agency's financial statements, and have issued our report thereon dated November 8, 2006. In that report, we noted the Agency revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Agency's management dated November 8, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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*. In a separate letter to the Agency's management dated November 8, 2006, we reported a matter related to noncompliance we deemed immaterial.

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](http://www.auditor.state.oh.us)

Office of Homeland Security and Emergency Management  
Shelby County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other  
Matters Required by Government Auditing Standards  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 8, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT**

**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  
DECEMBER 12, 2006**