



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

Office of Homeland Security and Emergency Management
Darke County
5185 County Home Road
Greenville, Ohio 45331

To the Members of the Executive Committee:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 10, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Office of Homeland Security and Emergency Management
Darke County
5185 County Home Road
Greenville, Ohio 45331

To the Board of Trustees:

We have audited the accompanying financial statements of the Office of Homeland Security and Emergency Management, Darke County, (the Agency) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Agency has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Agency to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Agency does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Agency has elected not to reformat its statements. Since this Agency does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Agency as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Office of Homeland Security and Emergency Management, Darke County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Agency to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Agency has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 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.



Betty Montgomery
Auditor of State

July 10, 2006

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$85,004	\$61,642	\$146,646
Special Assessments	10,524		10,524
Gifts and Donations	200		200
Miscellaneous Revenue	16,298		16,298
Total Cash Receipts	112,026	61,642	173,668
Cash Disbursements:			
Salaries and Benefits	81,196	27,213	108,409
Equipment	13,602	34,125	47,727
Contracts and Repair	13,849		13,849
Administration	897		897
Utilities	4,313		4,313
Travel	1,875		1,875
Supplies	674		674
Miscellaneous	584		584
Total Cash Disbursements	116,990	61,338	178,328
Total Receipts Over/(Under) Disbursements	(4,964)	304	(4,660)
Other Financing Receipts:			
Transfers-In		276	276
Transfers-Out	(276)		(276)
Other Sources	13	5	18
Total Other Financing Receipts	(263)	281	18
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,227)	585	(4,642)
Fund Cash Balances, January 1	19,033	15,683	34,716
Fund Cash Balances, December 31	\$13,806	\$16,268	\$30,074
Reserve for Encumbrances	\$212	\$0	\$212

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$116,606	\$456,531	\$573,137
Special Assessments	10,590		10,590
Gifts and Donations	0	2,000	2,000
Miscellaneous Revenue	17,705		17,705
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	144,901	458,531	603,432
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Salaries and Benefits	79,237	27,770	107,007
Equipment	15,010	256,986	271,996
Contracts and Repair	16,589	170,012	186,601
Utilities	5,328		5,328
Travel	2,463		2,463
Supplies	698		698
Miscellaneous	21,814		21,814
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	141,139	454,768	595,907
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	3,762	3,763	7,525
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Other Sources	232		232
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	232	0	232
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,994	3,763	7,757
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	15,039	11,920	26,959
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$19,033	\$15,683	\$34,716
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances	\$71	\$0	\$71
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The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Office of Homeland Security and Emergency Management, Darke 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. The executive committee consists of a county commissioner, five chief executives representing the municipal corporations and townships and one non-elected representative. A director 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.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Agency uses fund accounting to segregate cash and investments that are restricted as to use. The Agency classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Agency had the following significant Special Revenue Fund:

Homeland Security Grant Fund - This fund accounts for federal grant monies used for the protection and safety of the County.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Agency.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Darke 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 Darke County Auditor's records indicated the Agency's cash balances as of December 31, 2005, and 2004, were \$30,074 and \$34,716, respectively.

3. RETIREMENT SYSTEMS

The Agency's elected officials and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Agency contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2005. The Agency has paid all contributions required through December 31, 2005.

4. RISK MANAGEMENT

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

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

The Agency provides health insurance, dental, and vision coverage to full-time employees through Darke County's policy with United medical Resources.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. OPERATING LEASE

The Agency entered into a lease for a 2002 Chevy Blazer through SmartLease by GMAC. The term of the lease period is three years, commencing June 12, 2002, and terminating upon the final payment in June of 2005. The Agency is required to make lease payments of \$422.29 monthly. The Agency bought the vehicle in 2005 at the end of lease.

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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
Darke County
5185 County Home Road
Greenville, Ohio 45331

To the Members of the Executive Committee:

We have audited the financial statements of the Office of Homeland Security and Emergency Management, Darke County, (the Agency) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 10, 2006, wherein we noted the Agency followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. 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 July 10, 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 July 10, 2006, we reported a matter related to noncompliance we deemed immaterial.

Office of Homeland Security and Emergency Management
Darke 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 the management and 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

July 10, 2006



**Auditor of State
Betty Montgomery**

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OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT

DARKE 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
AUGUST 1, 2006**