



Mary Taylor, CPA
Auditor of State

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

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OFFICE OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SHELBY COUNTY

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Mary Taylor, CPA

Auditor of State

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, 2007 and 2006, which collectively comprise the Agency's basic 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 opinions.

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, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Special Emergency, and Fire Rescue Funds for 2007, and the General, Special Emergency, Assistance to Firefighters Grant, and State Homeland Security Funds for 2006, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2008, 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.

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

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 4, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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, 2007, 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 2007 are as follows:

- Net assets of governmental activities decreased \$24,899, or 55 percent.
- The Agency's receipts are primarily intergovernmental grants and contributions, which accounted for 48 percent of the total cash received during the year. The largest grant revenue for 2007 was from the Homeland Security Grant and the Code Red System Grant. These grants provide 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 County allocation accounted for 42% of the total cash received. The other 10 percent of receipts were charges for services provided and subdivision assessments.

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, 2007
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 2007, 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, Special Emergency Fund and Fire Rescue Fund.

The Agency as a Whole

Table 1 provides a summary of the Agency's net assets for 2007 compared to 2006 on a cash basis:

Table 1		
Net Assets		
Governmental Activities		
	2007	2006
Cash and Cash Equivalents	\$20,726	\$45,625
Total Assets	20,726	45,625
 Net Assets		
Restricted for:		
Other Purposes	20,724	44,800
Unrestricted	2	825
Total Net Assets	\$20,726	\$45,625

As mentioned previously, net assets of governmental activities decreased \$24,899 or 55 percent during 2007. 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, 2007
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2007. It also shows a comparative analysis with the changes in 2006.

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

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Charges for Services	\$ 8,000	\$ 8,000
Operating Grants and Contributions	91,039	109,373
Capital Grants and Contributions		247,499
Total Program Receipts	99,039	364,872
General Receipts:		
Subdivision Assessments	11,921	11,928
County Allocation	80,054	66,405
Miscellaneous		813
Total General Receipts	91,975	79,146
Total Receipts	191,014	444,018
Disbursements:		
Public Safety	215,913	445,641
Total Disbursements	215,913	445,641
Increase (Decrease) in Net Assets	(24,899)	(1,623)
Net Assets, January 1	45,625	47,248
Net Assets, December 31	\$20,726	\$45,625

Receipts of the Agency are program and general receipts. The program receipts are primarily comprised of intergovernmental grants and contributions, which represented 52 percent of total receipts for 2007. The Agency general receipts are in the form of subdivision assessments and a county allocation for operations and miscellaneous receipts.

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 2007, the Agency spent \$116,874 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, 2007
UNAUDITED
(Continued)**

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

(Table 3)
Governmental Activities

	Total Cost Of Services 2007	Program Receipts 2007	Net Cost of Services 2007
Public Safety	<u>\$215,913</u>	<u>\$99,039</u>	<u>\$116,874</u>

The Agency's Funds

All of the Agency's funds are governmental funds. Total funds receipts were \$191,014 and total fund disbursements were \$215,913 for 2007. The greatest change within the funds occurred in the Special Emergency Fund, which had a decrease in fund balance of \$23,261.

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, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,726
Total Assets	<u>20,726</u>
Net Assets	
Restricted for:	
Other Purposes	20,724
Unrestricted	<u>2</u>
Total Net Assets	<u>\$20,726</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, 2007**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Public Safety	\$215,913	\$8,000	\$91,039	\$0	(\$116,874)
Total Governmental Activities	\$215,913	\$8,000	\$91,039	\$0	(116,874)
			General Receipts		
					11,921
					80,054
					91,975
					(24,899)
					45,625
					\$20,726

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, 2007**

	<u>General</u>	<u>Special Emergency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2	\$17,376	\$3,348	\$20,726
Total Assets	<u>2</u>	<u>17,376</u>	<u>3,348</u>	<u>20,726</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	2			2
Special Revenue Funds		17,376	3,348	20,724
Total Fund Balances	<u>\$2</u>	<u>\$17,376</u>	<u>\$3,348</u>	<u>\$20,726</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, 2007**

	<u>General</u>	<u>Special Emergency</u>	<u>Fire Rescue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Contract Services	\$8,000				\$8,000
Intergovernmental	127,911	\$18,761		\$34,305	180,977
Gifts and Donations			\$2,037		2,037
Total Receipts	<u>135,911</u>	<u>18,761</u>	<u>2,037</u>	<u>34,305</u>	<u>191,014</u>
Disbursements					
Current:					
Public Safety	136,734	42,022	3,354	33,803	215,913
Total Disbursements	<u>136,734</u>	<u>42,022</u>	<u>3,354</u>	<u>33,803</u>	<u>215,913</u>
Excess of Receipts Over (Under) Disbursements	(823)	(23,261)	(1,317)	502	(24,899)
Fund Balances Beginning of Year	<u>825</u>	<u>40,637</u>	<u>3,534</u>	<u>629</u>	<u>45,625</u>
Fund Balances End of Year	<u><u>\$2</u></u>	<u><u>\$17,376</u></u>	<u><u>\$2,217</u></u>	<u><u>\$1,131</u></u>	<u><u>\$20,726</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
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Contract Services	\$8,000	\$8,000	\$8,000	
Intergovernmental	112,954	131,279	127,911	(\$3,368)
Total Receipts	<u>120,954</u>	<u>139,279</u>	<u>135,911</u>	<u>(3,368)</u>
Disbursements				
Current:				
Public Safety	121,495	139,880	136,734	3,146
Total Disbursements	<u>121,495</u>	<u>139,880</u>	<u>136,734</u>	<u>3,146</u>
Net Change in Fund Balance	(541)	(601)	(823)	(222)
Fund Balance Beginning of Year	<u>825</u>	<u>825</u>	<u>825</u>	
Fund Balance End of Year	<u><u>\$284</u></u>	<u><u>\$224</u></u>	<u><u>\$2</u></u>	<u><u>(\$222)</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, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$21,000	\$21,000	\$18,761	(\$2,239)
Total Receipts	<u>21,000</u>	<u>21,000</u>	<u>18,761</u>	<u>(2,239)</u>
Disbursements				
Current:				
Public Safety	40,200	61,200	42,022	19,178
Total Disbursements	<u>40,200</u>	<u>61,200</u>	<u>42,022</u>	<u>19,178</u>
Net Change in Fund Balance	(19,200)	(40,200)	(23,261)	16,939
Fund Balance Beginning of Year	<u>40,637</u>	<u>40,637</u>	<u>40,637</u>	
Fund Balance End of Year	<u><u>\$21,437</u></u>	<u><u>\$437</u></u>	<u><u>\$17,376</u></u>	<u><u>\$16,939</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 RESCUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Gifts and Donations			\$2,037	\$2,037
Total Receipts			2,037	2,037
Disbursements				
Current:				
Public Safety		\$3,534	3,354	180
Total Disbursements		3,534	3,354	180
Net Change in Fund Balance		(3,534)	(1,317)	2,217
Fund Balance Beginning of Year	\$3,534	3,534	3,534	
Fund Balance End of Year	<u>\$3,534</u>	<u>\$0</u>	<u>\$2,217</u>	<u>\$2,217</u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 FINANCIAL STATEMENTS
DECEMBER 31, 2007
(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 non-major 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 non-exchange 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).

Fire Rescue Fund – This fund receives grants and donation towards the purchase of fire fighting and rescue gear.

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 Agency'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 FINANCIAL STATEMENTS
DECEMBER 31, 2007
(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 Agency 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. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

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, 2007, was \$20,726.

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 through Shelby County 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.

C. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2007, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

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

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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2007 was 8.85 percent for Jan – June and 7.75 percent for July – Dec 2007. 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, 2007, 2006, and 2005 were \$3,737, \$3,959, and \$3,972 respectively.

7. 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care for Jan – June 2007, and 6.00 percent was the portion used to fund health care for July – Dec 2007.

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, 2006, include a rate of return on investments of 6.50 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 .50 percent to 5.00 percent for the next 8 years. In the 9th 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$2,461. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 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 will not have a material adverse effect on the overall financial condition of the Agency at December 31, 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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, 2006, 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 2006 are as follows:

- Net assets of governmental activities decreased \$1,623, or .03 percent.
- The Agency's receipts are primarily intergovernmental grants and contributions, which accounted for 80.4 percent of the total cash received during the year. The largest grant revenue for 2006 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 19.6 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, 2006
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 2006, 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 Assistance to Firefighters Fund and the State Homeland Fund.

The Agency as a Whole

Table 1 provides a summary of the Agency's net assets for 2006 compared to 2005 on a cash basis:

Table 1		
Net Assets		
Governmental Activities		
	2006	2005
Cash and Cash Equivalents	\$45,625	\$47,248
Total Assets	\$45,625	\$47,248
Net Assets		
Restricted for:		
Other Purposes	44,800	44,391
Unrestricted	825	2,857
Total Net Assets	\$45,625	\$47,248

As mentioned previously, net assets of governmental activities decreased \$1,623 or .03 percent during 2006. 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, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2006. It also shows a comparative analysis with the changes in 2005.

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

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services	\$ 8,000	\$ 8,000
Operating Grants and Contributions	109,373	123,586
Capital Grants and Contributions	247,499	195,328
Total Program Receipts	364,872	326,914
General Receipts:		
Subdivision Assessments	11,928	11,736
County Allocation	66,405	68,728
Miscellaneous	813	400
Total General Receipts	79,146	80,864
Total Receipts	444,018	407,778
Disbursements:		
Public Safety	445,641	422,725
Total Disbursements	445,641	422,725
Increase (Decrease) in Net Assets	(1,623)	(14,947)
Net Assets, January 1	47,248	62,195
Net Assets, December 31	\$45,625	\$47,248

Receipts of the Agency are program and general receipts. The program receipts are primarily comprised of intergovernmental grants and contributions, which represented 82.2 percent of total receipts for 2006. 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 2006, the Agency spent \$80,769 more than it received 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 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, 2006
UNAUDITED
(Continued)**

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

(Table 3)
Governmental Activities

	Total Cost Of Services 2006	Program Receipts 2006	Net Cost of Services 2006
Public Safety	<u>\$445,641</u>	<u>\$364,872</u>	<u>\$80,769</u>

The Agency's Funds

The Agency's funds are all governmental funds. Total fund receipts were \$444,018 and total fund disbursements were \$445,641 for 2006. The greatest change within the funds occurred in the Special Emergency Fund, which had an increase in fund balance of \$3,014.

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, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$45,625
Total Assets	<u>45,625</u>
Net Assets	
Restricted for:	
Other Purposes	44,800
Unrestricted	825
Total Net Assets	<u>\$45,625</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, 2006**

		<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities				Governmental Activities	
Public Safety	\$445,641	\$8,000	\$109,373	\$247,499	(\$80,769)
Total Governmental Activities	<u>\$445,641</u>	<u>\$8,000</u>	<u>\$109,373</u>	<u>\$247,499</u>	(80,769)
General Receipts					
				11,928	
				66,405	
				813	
				<u>79,146</u>	
					(1,623)
					<u>47,248</u>
					<u>\$45,625</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, 2006**

	<u>General</u>	<u>Special Emergency</u>	<u>Assistance Firefighters Grant</u>	<u>State Homeland Security</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$825	\$40,637	\$84	\$264	\$3,815	\$45,625
Total Assets	<u>825</u>	<u>40,637</u>	<u>84</u>	<u>264</u>	<u>3,815</u>	<u>45,625</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	825					825
Special Revenue Funds		40,637	84	264	3,815	44,800
Total Fund Balances	<u>\$825</u>	<u>\$40,637</u>	<u>\$84</u>	<u>\$264</u>	<u>\$3,815</u>	<u>\$45,625</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, 2006**

	<u>General</u>	<u>Special Emergency</u>	<u>Assistance Firefighters Grant</u>	<u>State Homeland Security</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts						
Contract Services	\$8,000					\$8,000
Intergovernmental	141,932	\$18,287	\$112,112	\$119,090	\$35,749	427,170
Gifts and Donations					2,035	2,035
Miscellaneous	813		6,000			6,813
Total Receipts	<u>150,745</u>	<u>18,287</u>	<u>118,112</u>	<u>119,090</u>	<u>37,784</u>	<u>444,018</u>
Disbursements						
Current:						
Public Safety	<u>156,053</u>	<u>15,273</u>	<u>118,028</u>	<u>118,826</u>	<u>37,461</u>	<u>445,641</u>
Total Disbursements	<u>156,053</u>	<u>15,273</u>	<u>118,028</u>	<u>118,826</u>	<u>37,461</u>	<u>445,641</u>
Total Receipts Over/(Under)						
Disbursements	(5,308)	3,014	84	264	323	(1,623)
Other Financing Receipts/ (Disbursements):						
Transfers-In	5,526					5,526
Transfers-Out					(5,526)	(5,526)
Total Other Financing Receipts/ (Disbursements)	<u>5,526</u>				<u>(5,526)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements	218	3,014	84	264	(5,203)	(1,623)
Fund Balances Beginning of Year	<u>607</u>	<u>37,623</u>			<u>9,018</u>	<u>47,248</u>
Fund Balances End of Year	<u>\$825</u>	<u>\$40,637</u>	<u>\$84</u>	<u>\$264</u>	<u>\$3,815</u>	<u>\$45,625</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
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Contract Services		\$8,000	\$8,000	
Intergovernmental	\$109,404	145,206	141,932	(\$3,274)
Miscellaneous	5,000	2,448	813	(1,635)
Total Receipts	<u>114,404</u>	<u>155,654</u>	<u>150,745</u>	<u>(4,909)</u>
Disbursements				
Current:				
Public Safety	<u>117,137</u>	<u>158,512</u>	<u>156,053</u>	<u>2,459</u>
Total Disbursements	<u>117,137</u>	<u>158,512</u>	<u>156,053</u>	<u>2,459</u>
Excess of Receipts Over (Under) Disbursements	(2,733)	(2,858)	(5,308)	(2,450)
Other Financing Sources				
Transfers In			5,526	5,526
Total Other Financing Sources			<u>5,526</u>	<u>5,526</u>
Changes in Fund Balance	(2,733)	(2,858)	218	3,076
Fund Balance Beginning of Year	<u>607</u>	<u>607</u>	<u>607</u>	
Fund Balance End of Year	<u>(2,126)</u>	<u>(2,251)</u>	<u>825</u>	<u>3,076</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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$21,000	\$21,000	\$18,287	(\$2,713)
Total Receipts	<u>21,000</u>	<u>21,000</u>	<u>18,287</u>	<u>(2,713)</u>
Disbursements				
Current:				
Public Safety	40,200	40,200	15,273	24,927
Total Disbursements	<u>40,200</u>	<u>40,200</u>	<u>15,273</u>	<u>24,927</u>
Net Change in Fund Balance	(19,200)	(19,200)	3,014	22,214
Fund Balance Beginning of Year	<u>37,623</u>	<u>37,623</u>	<u>37,623</u>	
Fund Balance End of Year	<u><u>\$18,423</u></u>	<u><u>\$18,423</u></u>	<u><u>\$40,637</u></u>	<u><u>\$22,214</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
ASSISTANCE TO FIREFIGHTERS GRANT
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$106,912	\$112,112	\$112,112	
Miscellaneous	6,000	6,000	6,000	
Total Receipts	<u>112,912</u>	<u>118,112</u>	<u>118,112</u>	
Disbursements				
Current:				
Public Safety	112,912	118,112	118,028	\$84
Total Disbursements	<u>112,912</u>	<u>118,112</u>	<u>118,028</u>	<u>84</u>
Net Change in Fund Balance			84	84
Fund Balance Beginning of Year				
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$84</u>	<u>\$84</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 GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$113,094	\$119,622	\$119,090	(\$532)
Total Receipts	<u>113,094</u>	<u>119,622</u>	<u>119,090</u>	<u>(532)</u>
Disbursements				
Current:				
Public Safety	113,094	119,622	118,826	796
Total Disbursements	<u>113,094</u>	<u>119,622</u>	<u>118,826</u>	<u>796</u>
Net Change in Fund Balance			264	264
Fund Balance Beginning of Year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$264</u></u>	<u><u>\$264</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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 non-major 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 non-exchange 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).

Assistance to Firefighters Fund – This fund receives grant money to meet firefighting and emergency response needs of the fire departments and nonaffiliated emergency medical service organizations. It is also used to obtain critically needed equipment, protective gear, emergency vehicles, training, and other resources needed to protect the public and emergency personnel from fire and related hazards.

State Homeland Security Fund - This fund receives grant money 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. 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. RESTATEMENT OF BEGINNING FUND BALANCES

In 2006, a correction to a posting error at the end of 2005 was made between the General Fund and the Fire Rescue Fund on the accounting system, which resulted in a misstatement of the actual 2006 revenue. Audit adjustments were made to the beginning balances which had the following effect on fund balances as previous reported.

	General Fund	Other Governmental Funds
Fund Balance at 12/31/05	\$2,857	\$6,768
Intergovernmental Revenue Adjustments	(2,250)	2,250
Restated Fund Balance at 1/01/06	\$ 607	\$9,018

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, 2006, was \$45,625.

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 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.

6. RISK MANAGEMENT

A. Commercial Insurance

The Agency has obtained commercial insurance through Shelby County 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2006, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

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 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, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Agency's contribution rate for pension benefits for 2006 was 9.20 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, 2006, 2005, and 2004 were \$3,959, 3,990, and \$3,896 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

8. POST-EMPLOYMENT BENEFITS

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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age 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 6.50 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 .50 percent to 6 percent for the next 8 years. In the 9th 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 2006 which were used to fund post-employment benefits were \$1,936. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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 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 will not have a material adverse effect on the overall financial condition of the Agency at December 31, 2006.



Mary Taylor, CPA

Auditor of State

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

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, 2007 and 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 4, 2008, wherein we noted the Agency uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Agency's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Agency's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Agency's management in a separate letter dated June 4, 2008.

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*.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 4, 2008



Mary Taylor, CPA
Auditor of State

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
JULY 15, 2008**