



Dave Yost • Auditor of State

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

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Dave Yost • Auditor of State

Emergency Management Agency
Van Wert County
1220 Lincoln Highway
P.O. Box 602
Van Wert, Ohio 45891

To the Members of the Board:

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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 27, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Emergency Management Agency
Van Wert County
1220 Lincoln Highway
P.O. Box 602
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the accompanying financial statements of the Emergency Management Agency, Van Wert County, (the Agency) as of and for the years ended December 31, 2011 and 2010. 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.

Instead of the combining funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Agency's 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 GAAP presentation requirements. The Auditor of State permits, but does not require Agencies to reformat their statements. The Agency has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, 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 fund cash balances as of December 31, 2011 and 2010 of the Emergency Management Agency, Van Wert County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Emergency Management Agency adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 27, 2012

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue	\$86,724	\$81,594	\$168,318
Charges for Services	12,999		12,999
Other Receipts	195		195
Total Cash Receipts	<u>99,918</u>	<u>81,594</u>	<u>181,512</u>
Cash Disbursements:			
Salaries	52,744	2,713	55,457
Supplies	908	10,207	11,115
Equipment	23,453	60,424	83,877
Contractual Services	13,425	6,579	20,004
Fringes	9,858	522	10,380
Travel	3,642		3,642
Other	5,612		5,612
Total Disbursements	<u>109,642</u>	<u>80,445</u>	<u>190,087</u>
Total Receipts Over/(Under) Disbursements	(9,724)	1,149	(8,575)
Other Financing Receipts/(Disbursements):			
Refunds of Prior Year Expenditures	11,203		11,203
Total Other Financing Receipts/(Disbursements)	<u>11,203</u>		<u>11,203</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,479	1,149	2,628
Fund Cash Balances, January 1	<u>19,859</u>	<u>207</u>	<u>20,066</u>
Fund Cash Balances, December 31:			
Restricted		1,356	1,356
Unassigned (Deficit)	21,338		21,338
Fund Cash Balances, December 31	<u>\$21,338</u>	<u>\$1,356</u>	<u>\$22,694</u>

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

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue	\$82,875	\$116,202	\$199,077
Contract Services	11,388		11,388
Donations	2,525		2,525
Other Receipts	7,575		7,575
Total Cash Receipts	<u>104,363</u>	<u>116,202</u>	<u>220,565</u>
Cash Disbursements:			
Salaries	47,413		47,413
Supplies	3,409		3,409
Equipment	10,068		10,068
Contractual Services	18,842		18,842
Travel	1,689		1,689
Public Employee's Retirement	6,509		6,509
Worker's Compensation	2,154		2,154
Project Fund Disbursements		118,745	118,745
Other	5,612		5,612
Total Disbursements	<u>95,696</u>	<u>118,745</u>	<u>214,441</u>
Total Receipts Over/(Under) Disbursements	<u>8,667</u>	<u>(2,543)</u>	<u>6,124</u>
Other Financing Receipts/(Disbursements):			
Refunds of Prior Year Expenditures	2,615		2,615
Total Other Financing Receipts/(Disbursements)	<u>2,615</u>		<u>2,615</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,282	(2,543)	8,739
Fund Cash Balances, January 1	<u>8,577</u>	<u>2,750</u>	<u>11,327</u>
Fund Cash Balances, December 31	<u><u>\$19,859</u></u>	<u><u>\$207</u></u>	<u><u>\$20,066</u></u>

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

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Van Wert County Emergency Management Agency (Agency) was organized under Section 5915.06 of the Revised Code to establish a program for a county wide emergency management operation. The agency has a seven member executive committee and a director that is responsible for organizing, administering, and operating emergency management in accordance with the agency's established program.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Agency recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Van Wert County Auditor acts as the fiscal agent for the Agency and the Agency's cash is held and invested by the County Treasurer, who is custodian of the Agency's monies. The Agency's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Homeland Security Grant - This fund receives grant money for the purchase of emergency equipment.

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Agency budgets its funds annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Agency Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Agency reserves (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Agency must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Agency records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Agency implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,818	\$111,121	\$4,303
Special Revenue	81,595	81,594	(1)
Total	\$188,413	\$192,715	\$4,302

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,473	\$109,642	\$12,831
Special Revenue	80,697	80,445	252
Total	<u>\$203,170</u>	<u>\$190,087</u>	<u>\$13,083</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 91,336	\$106,978	\$15,642
Special Revenue	116,053	116,202	149
Total	<u>\$207,389</u>	<u>\$223,180</u>	<u>\$15,791</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 99,720	\$ 95,696	\$4,024
Fiduciary	118,745	118,745	
Total	<u>\$218,465</u>	<u>\$214,441</u>	<u>\$4,024</u>

4. RETIREMENT SYSTEMS

The Agency's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

For 2011 and 2009, OPERS members contributed 10 percent of their gross salaries and the Agency contributed an amount equaling 14 of participants' gross salaries. The Agency has paid all contributions required through December 31, 2011.

5. RISK MANAGEMENT

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

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



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

Emergency Management Agency
Van Wert County
1220 Lincoln Highway
P.O. Box 602
Van Wert, Ohio 45891

To the Members of the Board:

We have audited the financial statements of Emergency Management Agency (the Agency) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012 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. As described in Note 2, during 2011 the Emergency Management Agency adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Agency's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Agency's management in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of management, the members of the Board and others within the Agency. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 27, 2012

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Finding Repaid Under Audit – Correction of Unsupported Error

The County Auditor was the Fiscal Agent of the Emergency Management Agency (EMA) and also the Local Emergency Planning Commission (LEPC). In May 2011, the Emergency Management Agency posted an unsupported error correction to the Intergovernmental Revenue line item of the General Fund, reducing receipts in the fund by \$2,644 and crediting the funds to the Local Emergency Planning Commission (LEPC) Special Emergency Planning Grant.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against the Local Emergency Planning Commission (LEPC) Special Emergency Planning Grant in the amount of \$2,644, and in the favor of the Emergency Management Agency (EMA) General fund.

Upon notification of the error by the Auditor of State's office, the County Auditor posted a correction from LEPC Special Emergency Planning Grant Fund to the EMA General Fund to correct the error correction in the amount of \$2,644 on April 10, 2012.

Officials Response:

The client has declined to respond to the audit finding

FINDING NUMBER 2011-002

Significant Deficiency – Revenue Posting

The Agency posted all receipts to the ledger; however, the amounts, in some instances, were not posted to the proper function. This limited the ability of the Board to make informed decisions for the Agency and could lead to errors or omissions that would not be detected.

During 2010 and 2011, revenue received from Local Emergency Planning Commission in the amounts of \$8,388 and \$7,999 respectively for services rendered by the Agency, was recorded as other receipts, refund, or other financing sources, rather than as contractual services in the General fund. Also, the reimbursements received from the Homeland Security and Citizen Corp grant funds for 2010 and 2011 of \$2,591 and \$7,968 respectively, were recorded as other receipts or other financing sources instead of refunds of prior year expenditures or reductions of current year expenditures in the General fund.

Failing to report revenues in the appropriate line item could result in materially misleading financial statements being presented. The above reclassifications have been made to the accompanying financial statements.

The Agency should obtain the county chart of accounts and review the accounts available to determine that revenues are recorded in the proper revenue line item to provide that the financial statements are comparable between years.

Officials Response

The client has declined to respond to the audit finding

**EMERGENCY MANAGEMENT AGENCY
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 and 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding Repaid Under Audit and Conflict of Interest – Independent Contract Services	Yes	
2009-002	Significant Deficiency - Revenue Posting	No	Not Corrected, See Finding Number 2011-002



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EMERGENCY MANAGEMENT AGENCY

VAN WERT 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 02, 2012**