



OHIO AUDITOR OF STATE
KEITH FABER



**OTTAWA COUNTY SOIL AND WATER CONSERVATION DISTRICT
OTTAWA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ottawa County Soil and Water Conservation District
Ottawa County
240 West Lake Street, Unit B
Oak Harbor, Ohio 43449

To the Board of Supervisors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and related notes of Ottawa County Soil and Water Conservation District, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions the Ohio Department of Agriculture permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Agriculture, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

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

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Agriculture permits. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund of Ottawa County Soil and Water Conservation District, Ottawa County, Ohio as of and for the years ended December 31, 2019 and 2018 in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 30, 2020

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Ottawa County Soil and Water Conservation District
Ottawa County
Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2019

	District Fund	Special Fund	Other Fund	Totals (Memorandum Only)
Cash Receipts				
Grants				
Local Government		\$333,000		\$333,000
State Government	\$620,649	226,896		847,545
Federal Government	1,781			1,781
Gifts and Contributions	11,324			11,324
Sale of Products/Materials	16,972			16,972
All Other Revenue	48,917	4,182	\$1,657	54,756
<i>Total Cash Receipts</i>	<u>699,643</u>	<u>564,078</u>	<u>1,657</u>	<u>1,265,378</u>
Cash Disbursements				
Salaries		293,988	5,460	299,448
Supplies	4,313	903	1,425	6,641
Equipment	39,595	277		39,872
Contract Services/Cost Share Payment	237,678	1,440		239,118
Rentals		23,769		23,769
Service Fees	395			395
Information and Education	24,915			24,915
Travel and Expenses	15,674			15,674
Advertising and Printing	9,474			9,474
OPERS		39,366	764	40,130
Worker's Compensation		3,289	40	3,329
Hospitalization		113,776		113,776
Medicare		4,263	79	4,342
Product/Materials for Resale	13,934			13,934
Annual Meeting/Banquet	3,268			3,268
Other	327	23,018	232	23,577
<i>Total Cash Disbursements</i>	<u>349,573</u>	<u>504,089</u>	<u>8,000</u>	<u>861,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>350,070</u>	<u>59,989</u>	<u>(6,343)</u>	<u>403,716</u>
Other Financing Receipts (Disbursements)				
Transfers In			5,000	5,000
Transfers Out	(5,000)			(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>		<u>5,000</u>	
<i>Net Change in Fund Cash Balances</i>	345,070	59,989	(1,343)	403,716
<i>Fund Cash Balances, January 1</i>	<u>285,545</u>	<u>25,632</u>	<u>72,234</u>	<u>383,411</u>
Fund Cash Balances, December 31				
Restricted	340,563		70,154	410,717
Assigned		85,621	737	86,358
Unassigned	290,052			290,052
<i>Fund Cash Balances, December 31</i>	<u>\$630,615</u>	<u>\$85,621</u>	<u>\$70,891</u>	<u>\$787,127</u>

See accompanying notes to the financial statements

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Ottawa County Soil and Water Conservation District, Ottawa County, Ohio (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

Public Entity Risk Pool

The District participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (cash basis) for all funds.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

Special Fund The Special Fund is the primary fund used for day to day operations and expenditures including payroll and benefits. The District records all amounts received from the state, local, or federal governments in this fund. The County Auditor also maintains an accounting of this fund.

District Fund The District Fund accounts for and reports revenues from District sales and equipment rentals, grants and donations.

Other Fund The Other Fund accounts for and reports the proceeds of specific revenue sources that are restricted or assigned to expenditure for specified purposes, mainly the Cooperative Weed Management Area program and the summer intern program.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Budgetary Process

The Ohio Revised Code requires the Special Fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Supervisors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Ottawa County Treasurer is the custodian for the District's Special and Other (summer intern activity only) funds' cash and investments. The County's cash and investment holds the District's Special and Other (summer intern activity only) funds' 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 Ottawa County Auditor's Office at 315 Madison Street, Room 202, Port Clinton, Ohio 43452.

The District's accounting basis for the District Fund includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Capital Assets

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

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.

Fund Balance

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

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

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2019

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.

Committed Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend 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.

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

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

The District 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.

Note 3 – Special Fund Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$566,242	\$564,078	(\$2,164)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$566,242	\$504,089	\$62,153

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use, except the Special and Other (summer intern activity only) funds which are maintained by the Ottawa County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2019

	2019
Demand deposits	\$173,421
County Treasurer Deposits	86,358
Total deposits	259,779
STAR Ohio	527,348
Total deposits and investments	\$787,127

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Risk Management

Risk Pool Membership

The County Risk Sharing Authority, Inc. is a jointly governed organization among 66 counties and 44 county-related entities in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Directors.

CORSA's net position as of fiscal year end April 30, 2019 was \$89,060,705. CORSA's audited financial statements may be obtained by contacting the County Commissioners' Association of Ohio in Columbus, Ohio.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

Note 9 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The investments of the pension and other employee benefit plan in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Ottawa County Soil and Water Conservation District
Ottawa County
Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2018

	District Fund	Special Fund	Other Fund	Totals (Memorandum Only)
Cash Receipts				
Grants				
Local Government		\$298,316		\$298,316
State Government	\$102,577	191,962		294,539
Federal Government	7,213			7,213
Gifts and Contributions	3,192			3,192
Sale of Products/Materials	18,865			18,865
All Other Revenue	61,596	25,985	\$1,237	88,818
<i>Total Cash Receipts</i>	<u>193,443</u>	<u>516,263</u>	<u>1,237</u>	<u>710,943</u>
Cash Disbursements				
Salaries		301,867	5,632	307,499
Supplies	5,239	879		6,118
Equipment	3,850			3,850
Contract Services/Cost Share Payment	70,459	1,440	3,345	75,244
Rentals		23,769		23,769
Service Fees	387			387
Information and Education	25,618			25,618
Travel and Expenses	25,872			25,872
Advertising and Printing	8,726			8,726
OPERS		38,611	856	39,467
Worker's Compensation		6,369		6,369
Hospitalization		96,312		96,312
Medicare		3,586	81	3,667
Product/Materials for Resale	15,760			15,760
Annual Meeting/Banquet	2,903			2,903
Other		16,507	433	16,940
<i>Total Cash Disbursements</i>	<u>158,814</u>	<u>489,340</u>	<u>10,347</u>	<u>658,501</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,629</u>	<u>26,923</u>	<u>(9,110)</u>	<u>52,442</u>
Other Financing Receipts (Disbursements)				
Transfers In		19,000	7,000	26,000
Transfers Out	(26,000)			(26,000)
Repayment of Advance From County		(20,291)		(20,291)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,000)</u>	<u>(1,291)</u>	<u>7,000</u>	<u>(20,291)</u>
<i>Net Change in Fund Cash Balances</i>	8,629	25,632	(2,110)	32,151
<i>Fund Cash Balances, January 1</i>	<u>276,916</u>		<u>74,344</u>	<u>351,260</u>
Fund Cash Balances, December 31				
Restricted	39,417		70,452	109,869
Assigned			1,782	1,782
Unassigned	246,128	25,632		271,760
<i>Fund Cash Balances, December 31</i>	<u>\$285,545</u>	<u>\$25,632</u>	<u>\$72,234</u>	<u>\$383,411</u>

See accompanying notes to the financial statements

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Ottawa County Soil and Water Conservation District, Ottawa County, Ohio (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

Public Entity Risk Pool

The District participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (cash basis) for all funds.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

Special Fund The Special Fund is the primary fund used for day to day operations and expenditures including payroll and benefits. The District records all amounts received from the state, local, or federal governments in this fund. The County Auditor also maintains an accounting of this fund.

District Fund The District Fund accounts for and reports revenues from District sales and equipment rentals, grants and donations.

Other Fund The Other Fund accounts for and reports the proceeds of specific revenue sources that are restricted or assigned to expenditure for specified purposes, mainly the Cooperative Weed Management Area program and the summer intern program.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Budgetary Process

The Ohio Revised Code requires the Special Fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Supervisors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Ottawa County Treasurer is the custodian for the District's Special and Other (summer intern activity only) funds' cash and investments. The County's cash and investment holds the District's Special and Other (summer intern activity only) funds' 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 Ottawa County Auditor's Office at 315 Madison Street, Room 202, Port Clinton, Ohio 43452.

The District's accounting basis for the District Fund includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Capital Assets

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

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.

Fund Balance

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

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

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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.

Committed Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend 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.

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

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

The District 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.

Note 3 – Special Fund Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$501,301	\$535,263	\$33,962

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$501,301	\$489,340	\$11,961

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use, except the Special and Other (summer intern activity only) funds which are maintained by the Ottawa County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2018

	2018
Demand deposits	\$47,413
County Treasurer Deposits	27,414
Total deposits	74,827
STAR Ohio	308,584
Total deposits and investments	<u>\$383,411</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Risk Management

Risk Pool Membership

The County Risk Sharing Authority, Inc. is a jointly governed organization among 66 counties and 40 county-related entities in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Directors.

CORSA's net position as of fiscal year end April 30, 2018 was \$94,602,536. CORSA's audited financial statements may be obtained by contacting the County Commissioners' Association of Ohio in Columbus, Ohio.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Ottawa County Soil and Water Conservation District

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 7 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

Note 9 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The investments of the pension and other employee benefit plan in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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

Ottawa County Soil and Water Conservation District
Ottawa County
240 West Lake Street, Unit B
Oak Harbor, Ohio 43449

To the Board of Supervisors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each fund of Ottawa County Soil and Water Conservation District, Ottawa County, Ohio, (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits. We also noted the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Finding

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

September 30, 2020

**OTTAWA COUNTY SOIL AND WATER CONSERVATION DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019:

- District Fund local government receipts and transfers out were each decreased in the amount of \$70,750 and Special Fund transfers in and local government receipts were decreased and increased, respectively, in the amount of \$70,750 to correctly account for an improperly posted receipt and subsequent correcting entry made by the District; and
- District Fund equipment disbursements in the amount of \$33,700 were incorrectly classified as contract services disbursements.

Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to help identify and correct errors and omissions.

Officials' Response:

First bullet: Money that was budgeted by the county for the Ottawa SWCD operating expenses, in the amount of \$70,750, was incorrectly posted to the wrong account. The money was quickly transferred to the correct account.

Second bullet: The Ottawa SWCD purchased an air seeder for \$33,700 out of the SB 299 grant monies. This air seeder was to be rented out to landowners to plant cover crops. This equipment was incorrectly classified as contract services and not equipment.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS report.

FINDING NUMBER 2019-002

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Due to deficiencies in internal controls over disbursements, the District paid for the following individuals to attend a Jack Daniels distillery tour, which included alcoholic beverages during the year ended December 31, 2018.

<u>Attendee</u>	<u>Amount Paid</u>
Thomas Riedeman	\$13.60
Roland Sandrock	13.60
Michael Libben	17.00
Jason Laubacher	17.00
Constance Sandwisch	13.60
Todd Hecht	17.00
Total	<u><u>\$91.80</u></u>

In accordance with the preceding facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued, in favor of Ottawa County Soil and Water Conservation District’s District Fund in the amount of \$90, against the following individuals: Thomas Riedeman for \$13, Roland Sandrock for \$13, Michael Libben for \$17, Jason Laubacher for \$17, Constance Sandwisch for \$13, and Todd Hecht for \$17.

The District should implement policies and procedures to verify that no alcohol purchases are made with public funds. Failure to do so could result in misappropriation of District resources and findings for recovery.

Michael Libben reimbursed the District in the amount of \$90 through personal check on September 15, 2020.

**FINDING NUMBER 2019-002
(CONTINUED)**

Officials' Response:

The Ottawa SWCD attended a Jack Daniel's Distillery Tour during the National Association of Conservation District's conference. The tour was part of an offered tour from the NACD conference, but the SWCD choose to organize their own trip to the facility to save expenses. This tour explained the process from harvesting through production. The employees and board were unaware that samples were included in the cost of the tour. The cost of the tour has since been reimbursed by all that attended.

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OHIO AUDITOR OF STATE KEITH FABER



OTTAWA COUNTY SOIL AND WATER CONSERVATION DISTRICT

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 10/13/2020

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov