

***PORTAGE COUNTY SOIL AND WATER  
CONSERVATION DISTRICT***

***PORTAGE COUNTY***

Regular Audit

For the Years Ended December 31, 2019 and 2018





OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board of Supervisors  
Portage County Soil and Water Conservation District  
6970 State Route 88  
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Portage County Soil and Water Conservation District, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Portage County Soil and Water Conservation District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

August 12, 2020

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***Portage County Soil and Water Conservation District***

***Portage County***

For the Years Ended December 31, 2019 and 2018

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**INDEPENDENT AUDITOR'S REPORT**

Portage Soil and Water Conservation District  
Portage County  
6970 State Route 88  
Ravenna, Ohio 44266-9118

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 the Portage Soil and Water Conservation District, Portage 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, and related notes of the Portage Soil and Water Conservation District, Portage 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.

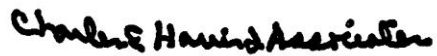
***Emphasis of Matter***

As discussed in Note 10 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinions regarding this matter.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 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.



*Charles E. Harris & Associates, Inc.*  
June 23, 2020

**PORTAGE SOIL AND WATER CONSERVATION DISTRICT  
PORTAGE COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government	\$9,697	\$395,500	\$405,197
State Government	-	13,928	13,928
Federal Government	35,962	1,059	37,021
Sale of Products/Materials	42,526	-	42,526
Rentals	1,161	-	1,161
All Other Revenue	9,008	-	9,008
<i>Total Cash Receipts</i>	<u>98,354</u>	<u>410,487</u>	<u>508,841</u>
<b>Cash Disbursements</b>			
Salaries	-	267,536	267,536
Supplies	-	3,165	3,165
Equipment	-	2,374	2,374
Office Operations	5,423	-	5,423
Contract Services/Cost Share Payment	14,299	10,934	25,233
Rentals	2,071	-	2,071
Dues & Subscriptions/Contributions	480	-	480
Information and Education	7,917	-	7,917
Travel and Expenses	5,141	232	5,373
Advertising and Printing	4,395	11,764	16,159
OPERS	-	37,455	37,455
Worker's Compensation	-	4,548	4,548
Hospitalization	-	70,710	70,710
Medicare	-	3,682	3,682
Product/Materials for Resale	28,316	-	28,316
Annual Meeting/Banquet	3,209	-	3,209
Principal Retirement	-	14,782	14,782
Interest and Fiscal Charges	-	6,932	6,932
Other	9,867	-	9,867
<i>Total Cash Disbursements</i>	<u>81,118</u>	<u>434,114</u>	<u>515,232</u>
<i>Net Change in Fund Cash Balances</i>	17,236	(23,627)	(6,391)
<i>Fund Cash Balances, January 1</i>	<u>97,529</u>	<u>210,495</u>	<u>308,024</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	-	46,543	46,543
Unassigned (Deficit)	114,765	140,325	255,090
<i>Fund Cash Balances, December 31</i>	<u>\$114,765</u>	<u>\$186,868</u>	<u>\$301,633</u>

*See accompanying notes to the financial statements*

## Portage Soil & Water Conservation District

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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### **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Portage Soil & Water Conservation District, Portage County, (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 and urban lands. The Portage SWCD & the Natural Resources Conservation Service (NRCS) encourage landowners to adopt practices that conserve and manage our natural resources. We offer various programs to help you attain your conservation goals. Programs include but are not limited to Conservation Planning, Conservation Sales Programs (Fish & Tree sales), Drainage Issues, Engineering Services, Farmland Preservation, Maps & Resources, and Storm Water Management.

The District contracts with the Stormwater District regarding Stormwater Phase II Compliance for Minimum Control Measures 1, 2, 4, 5 and 6.

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 combined 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. All funds received from local, state, and federal governments are placed in this special 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.

#### ***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 Board 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, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 Portage County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund'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 Portage County. Janet Esposito Portage County Auditor 449 S. Meridian St., 5th Floor, Portage County Admin. Bldg PO Box 1217, Ravenna, Ohio 44266, Phone: (330) 297-3561, Email: [jesposito@portageco.com](mailto:jesposito@portageco.com)

The District's accounting basis for all other funds 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.

***Capital Assets***

On March 11, 2016 the building at 6970 State Route 88, Ravenna, OH, 44266 was purchased by the Portage Soil & Water Conservation District. Portage Community Bank at 1311 E. Main St., Ravenna, OH, 44266 is the lender.

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***

The total accumulated leave for the Portage Soil & Water Conservation District's 4 full time staff members is \$27,911.

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.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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.

***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. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the Special Fund.

***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.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Special	\$382,360	\$410,487	\$28,127

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
Special	\$490,837	\$438,094	\$52,743

**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use, except the Special Fund which is maintained by the Portage County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2019 was as follows:

	<u>2019</u>
Demand deposits	\$114,765
County Treasurer deposits	<u>186,868</u>
Total deposits	<u>\$301,633</u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Risk Pool Membership***

The District is a member of the CORSA Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Portage County policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 5 - Risk Management (continued)**

The Pool covers the following risks:

- General liability and casualty;
- Property, equipment,
- Crime coverage
- Public official's liability;
- Vehicle.

**Note 6 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The District's 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%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through 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, and 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**

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

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

**Portage Soil & Water Conservation District**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Mortgage	\$223,645	3.25%
Total	\$223,645	

In 2016, the District took out a mortgage for \$280,000 to finance the purchase of a building. The loan matures in 2031.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Mortgage
2020	\$23,688
2021	23,688
2022	23,688
2023	23,688
2024	23,688
2025-2029	118,442
2030-2031	28,714
Total	\$265,596

**Note 10 – 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 ensuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of 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.



**PORTAGE SOIL AND WATER CONSERVATION DISTRICT  
PORTAGE COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government	\$1,500	\$364,735	\$366,235
State Government	-	15,634	15,634
Federal Government	35,962	-	35,962
Gifts and Contributions	2,900	-	2,900
Sale of Products/Materials	41,884	-	41,884
Rentals	1,291	-	1,291
All Other Revenue	5,768	7	5,775
<i>Total Cash Receipts</i>	89,305	380,376	469,681
<b>Cash Disbursements</b>			
Salaries	-	262,130	262,130
Supplies	370	4,866	5,236
Equipment	85	-	85
Office Operations	5,951	-	5,951
Contract Services/Cost Share Payment	33,342	17,499	50,841
Rentals	144	-	144
Dues & Subscriptions/Contributions	2,135	-	2,135
Information and Education	5,607	-	5,607
Travel and Expenses	5,262	587	5,849
Advertising and Printing	7,123	11,246	18,369
OPERS	-	36,698	36,698
Worker's Compensation	-	4,456	4,456
Hospitalization	-	61,828	61,828
Medicare	-	3,626	3,626
Product/Materials for Resale	26,551	-	26,551
Annual Meeting/Banquet	6,083	-	6,083
Principal Retirement	-	15,192	15,192
Interest and Fiscal Charges	-	8,496	8,496
<i>Total Cash Disbursements</i>	92,653	426,624	519,277
<i>Net Change in Fund Cash Balances</i>	(3,348)	(46,248)	(49,596)
<i>Fund Cash Balances, January 1</i>	100,877	256,743	357,620
<b>Fund Cash Balances, December 31</b>			
Assigned	-	110,757	110,757
Unassigned (Deficit)	97,529	99,738	197,267
<i>Fund Cash Balances, December 31</i>	\$97,529	\$210,495	\$308,024

*See accompanying notes to the financial statements*

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Portage Soil & Water Conservation District, Portage County, (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 and urban lands. The Portage SWCD & the Natural Resources Conservation Service (NRCS) encourage landowners to adopt practices that conserve and manage our natural resources. We offer various programs to help you attain your conservation goals. Programs include but are not limited to Conservation Planning, Conservation Sales Programs (Fish & Tree sales), Drainage Issues, Engineering Services, Farmland Preservation, Maps & Resources, and Storm Water Management.

The District contracts with the Stormwater District regarding Stormwater Phase II Compliance for Minimum Control Measures 1, 2, 4, 5 and 6.

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 combined statement of receipts, disbursements, and changes in fund balances (cash basis) for all funds.

***Fund Accounting***

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

***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 Board 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, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 Portage County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund'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 Portage County. Janet Esposito Portage County Auditor 449 S. Meridian St., 5th Floor, Portage County Admin. Bldg PO Box 1217, Ravenna, Ohio 44266, Phone: (330) 297-3561, Email: [jesposito@portageco.com](mailto:jesposito@portageco.com)

The District's accounting basis for all other funds 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.

***Capital Assets***

On March 11, 2016 the building at 6970 State Route 88, Ravenna, OH, 44266 was purchased by the Portage Soil & Water Conservation District. Portage Community Bank at 1311 E. Main St., Ravenna, OH, 44266 is the lender.

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***

The total accumulated leave for the Portage Soil & Water Conservation District's 5 full time staff members is \$31,113.

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.

**Portage Soil & Water Conservation District**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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.

***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. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the Special Fund.

***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.

**Portage Soil & Water Conservation District**  
*Portage County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$381,235	\$380,376	(\$859)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund	Appropriation Authority	Budgetary Disbursements	Variance
Special	\$463,702	\$428,904	\$34,798

**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use, except the Special Fund which is maintained by the Portage County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2018 was as follows:

	2018
Demand deposits	\$97,529
County Treasurer deposits	210,495
Total deposits	\$308,024

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation.

**Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 5 - Risk Management (continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 6 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The District's 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%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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 of both the traditional pension and the combined plans. 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 2018.

**Portage Soil & Water Conservation District**

*Portage County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 8 – Contingent Liabilities**

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

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

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage	\$238,427	3.25%
Total	<u>\$238,427</u>	

In 2016, the District took out a mortgage for \$280,000 to finance the purchase of a building. The loan matures in 2031.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>Mortgage</u>
2019	\$23,688
2020	23,688
2021	23,688
2022	23,688
2023	23,688
2024-2028	118,442
2029-2031	52,277
Total	<u>\$289,159</u>

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

Portage Soil and Water Conservation District  
Portage County  
6970 State Route 88  
Ravenna, Ohio 44266-9118

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 the Portage County Soil and Water Conservation District, Portage County, (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 June 23, 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 will 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*.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 23, 2020.

***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 communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
June 23, 2020

**PORTAGE SOIL AND WATER CONSERVATION DISTRICT  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2019 and 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2019-001 - Material Weakness**

**Reporting and Classification of Fund Balances:**

The District did not report its fund balances and footnotes correctly in 2018 and 2019. The following are the more significant errors that were noted:

- The District reported its beginning and ending District fund balances as the bank balance amount instead of the book balance amount. This was mostly due to bank reconciliations not being completed in a clear, concise manner.
- In 2019, the District classified an unemployment liability of \$57,400 and compensated absences of \$43,736 as Assigned Fund Balance rather than Unassigned fund balance. In 2018, the District classified an unemployment liability of \$52,580 and compensated absences of \$31,113 as Assigned Fund Balance rather than unassigned fund balance.
- In 2018, \$108,477 of subsequent year appropriations were not classified as Assigned Fund Balance, and in 2019, \$42,563 of subsequent year appropriations were not classified as Assigned Fund Balance.
- The Deposits and Investments footnote only included amounts for the District fund for both years.
- The Hinkle filing type for 2018 was classified as GAAP basis rather than Regulatory basis.

Adjustments were made in the financial statements to reflect the proper presentation.

Failure to report and classify fund balances correctly results in the financial statements not being accurately presented. In order to maintain the integrity and reliability of the financial statements, the District should ensure that fund balances and footnotes are reported according to accepted standards.

We recommend that the Fiscal Officer follow Auditor of State guidance to properly classify its transactions. Management can use Governmental Accounting Standards Board (GASB) Statement No. 54, Auditor of State Bulletin 2011-04, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements. In addition, we recommend the Fiscal Officer and Board of Supervisors review all reports to ensure their accuracy.

Further, we recommend that the District implement a clear and accessible reconciliation of its bank accounts. The District should either utilize the available accounting software or prepare a clear report of reconciling items and retain electronic copies of these reconciliations. This will ensure transparency and accountability in the District's financial management.

**Management's Response:**

We did not receive a response from management.

# OHIO AUDITOR OF STATE KEITH FABER



**PORTAGE COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**PORTAGE 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 8/25/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)