



OHIO AUDITOR OF STATE  
**KEITH FABER**



**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT  
PAULDING COUNTY  
DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

Paulding County Soil and Water Conservation District  
Paulding County  
900 Fairground Drive, Suite B  
Paulding, Ohio 45879

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 Paulding County Soil and Water Conservation District, Paulding County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

### ***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 that are 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 these 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, 2018 and 2017, or 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 the Paulding County Soil and Water Conservation District, Paulding County, Ohio as of and for the years ended December 31, 2018 and 2017 in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, 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

October 28, 2019

**Paulding County Soil and Water Conservation District**

*Paulding County, Ohio*

*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		\$64,500	\$64,500
State Government	\$40,431	143,239	183,670
Gifts and Contributions	3,801		3,801
Sale of Products/Materials	9,687		9,687
Rentals	16,018		16,018
All Other Revenue	1,291	19,170	20,461
<i>Total Cash Receipts</i>	<u>71,228</u>	<u>226,909</u>	<u>298,137</u>
<b>Cash Disbursements</b>			
Salaries		122,434	122,434
Supplies	167	2,428	2,595
Equipment	1,945	1,219	3,164
Contract Services/Cost Share Payments	267,468	3,392	270,860
Rentals	3,567	9,188	12,755
Service Fees	410	25,959	26,369
Information and Education	3,578	801	4,379
Travel and Expenses	1,862	4,128	5,990
Advertising and Printing	771	290	1,061
OPERS		17,599	17,599
Worker's Compensation		761	761
Hospitalization		24,399	24,399
Medicare		1,775	1,775
Product/Materials for Resale	4,925	75	5,000
Annual Meeting/Banquet	1,182	392	1,574
Other	1,068	635	1,703
<i>Total Cash Disbursements</i>	<u>286,943</u>	<u>215,475</u>	<u>502,418</u>
<i>Net Change in Fund Cash Balances</i>	(215,715)	11,434	(204,281)
<i>Fund Cash Balances, January 1</i>	<u>327,091</u>	<u>239,456</u>	<u>566,547</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	66,949	122,660	189,609
Committed	4,644		4,644
Assigned		104,500	104,500
Unassigned	39,783	23,730	63,513
<i>Fund Cash Balances, December 31</i>	<u>\$111,376</u>	<u>\$250,890</u>	<u>\$362,266</u>

*See accompanying notes to the basic financial statements*

# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

*Paulding 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 Paulding County Soil and Water Conservation District, Paulding 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 lands.

### ***Public Entity Risk Pools***

The District participates in the County Commissioners Association of Ohio Service Corporation and the County Risk Sharing Authority, Inc. (CORSA). Note 5 to the financial statements provides additional information for these entities.

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.

### ***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.



# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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## ***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 Paulding 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 Paulding County Treasurer at 115 North Williams Street, Paulding, Ohio 45879-1284, or by calling 419-399-8280.

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.

For the District Fund, the District measures its investment in STAR Ohio 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 an 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.

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

**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 ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$217,600	\$226,909	\$9,309

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$222,300	\$215,475	\$6,825

**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 Paulding County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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	<u>2018</u>
Demand deposits	\$64,779
County Treasurer Deposits	<u>250,890</u>
Total deposits	315,669
STAR Ohio	<u>46,597</u>
Total deposits and investments	<u><u>\$362,266</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Risk Management**

The District provides health insurance for full-time employees through a private insurance company.

***Workers' Compensation***

The District's employees are insured against injuries through the Ohio Bureau of Workers' Compensation through Paulding County.

For 2018, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

Paulding County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

## ***Risk Pool Membership***

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2018, Paulding County contracted with County Risk Sharing Authority (CORSA), on behalf of County departments including the District, for insurance coverage. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

<u>Property</u>	
Building and Contents	Replacement Cost
Valuable Papers	\$2,500,000 Each Occurrence
Extra Expense/Business Income	\$2,500,000 Each Occurrence
Electronic Data Processing Equipment	\$250,000 Each Occurrence
Contractors Equipment	Replacement Cost
Flood and Earthquake	\$100,000,000 Annual Aggregate
Auto Physical Damage	Actual Cash Value or Cost of Repair
Sewer Lines	\$3,845,000
Electronic Data Media	\$100,000 Each Occurrence
Automatic Acquisition	\$5,000,000
Boiler and Machinery	\$100,000,000 Each Accident
Property in Transit	\$100,000 Each Occurrence
Unintentional Omissions	\$250,000 Each Occurrence
Pollutant Cleanup/Removal	\$10,000 Coverage Period
Law Enforcement Canines	\$50,000 Each Occurrence
<u>Liability</u>	
Automobile Liability	\$1,000,000 Each Occurrence
Uninsured/Underinsured Motorists	\$250,000 Each Occurrence
General Liability	\$1,000,000 Each Occurrence
Excess Liability	\$5,000,000 Each Occurrence
Law Enforcement Liability	\$1,000,000 Each Occurrence
Errors and Omissions Liability	\$1,000,000 Annual Aggregate
Attorney Disciplinary Proceedings	\$25,000 Annual Aggregate
Cyber Liability and Expense	\$1,000,000 Annual Aggregate

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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<u>Crime</u>	
Employee Dishonesty/Faithful Performance	\$1,000,000 Each Occurrence
Loss Inside the Premises (money and securities)	\$1,000,000 Each Occurrence
Loss Outside the Premises (money and securities)	\$1,000,000 Each Occurrence
Money Orders and Counterfeit Paper Currency	\$1,000,000 Each Occurrence
Depositors Forgery	\$1,000,000 Each Occurrence
Fund Transfer Fraud	\$500,000 Each Occurrence
Computer Fraud	\$500,000 Each Occurrence
Individual Public Official Bond Excess	\$250,000 Each Occurrence

There has been no significant reduction in insurance coverage from 2017, and settled claims have not exceeded this coverage in the past three years.

CORSA reported the following summary of assets and liabilities as of April 30, 2018:

	<u>2018</u>
Assets	\$123,215,885
Liabilities	\$28,613,349

**Note 6 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All 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.

**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 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 – All Other Revenue**

In 2018, the “all other revenue” line item on the financial statements for the Special Fund primarily comprised of various reimbursements, including reimbursements from the County’s Ditch Maintenance Fund.

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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**Note 9 – Subsequent Events**

The District was awarded and received grant funding for the following grants in 2019:

- a) A \$250,000 Great Lakes Restoration Initiative Grant was awarded in December 2018 through the Ohio Lake Erie Commission to be used over a three-year period to cover new equipment, staff, and maintenance costs of the District's Nutrient Applicator Toolbar Program.
- b) A \$330,000 grant was awarded in 2019 to the District as a soil and water conservation district in the Western Lake Erie Basin (WLEB) by the Ohio Department of Agriculture (ODA) to be used over a five-year period to hire a multi-county nutrient management specialist position to provide technical assistance within Paulding and Van Wert Counties. The nutrient specialist position will be located in the Paulding County Soil and Water Conservation District.
- c) A \$60,000 Clean Lake grant was awarded in 2019 through SB299 providing support to soil and water conservation districts in the WLEB for staffing costs and to assist in soil testing and nutrient management plan development, including manure transformation and manure conversion technologies, enhanced filter strips, water management, and other conservation support.
- d) A watershed coordinator grant was awarded in 2019 by the ODA in which the ODA shall provide \$51,404 annually over a three-year period so staff can implement and provide management measures designed to improve the Lower Auglaize Tributaries watershed's water quality and biological diversity.

**Paulding County Soil and Water Conservation District**

*Paulding County, Ohio*

*Statement of Receipts, Disbursements and Changes in*

*Fund Balances (Regulatory Cash Basis)*

*For the Year Ended December 31, 2017*

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government		\$64,500	\$64,500
State Government	\$571,538	168,346	739,884
Gifts and Contributions	5,984		5,984
Sale of Products/Materials	5,395		5,395
Rentals	11,467	206	11,673
All Other Revenue	4,810	63,806	68,616
<i>Total Cash Receipts</i>	<u>599,194</u>	<u>296,858</u>	<u>896,052</u>
<b>Cash Disbursements</b>			
Salaries		121,108	121,108
Supplies	997	1,406	2,403
Equipment	3,220	2,034	5,254
Contract Services/Cost Share Payments	558,511	5,189	563,700
Rentals	3,959	7,041	11,000
Service Fees	2,053	12,939	14,992
Information and Education	6,261	1,230	7,491
Travel and Expenses	1,838	4,129	5,967
Advertising and Printing	945	96	1,041
OPERS		16,839	16,839
Worker's Compensation		1,343	1,343
Hospitalization		22,037	22,037
Medicare		1,756	1,756
Product/Materials for Resale	4,358	53	4,411
Annual Meeting/Banquet	2,376	363	2,739
Other	1,190	21	1,211
<i>Total Cash Disbursements</i>	<u>585,708</u>	<u>197,584</u>	<u>783,292</u>
<i>Net Change in Fund Cash Balances</i>	13,486	99,274	112,760
<i>Fund Cash Balances, January 1</i>	<u>313,605</u>	<u>140,182</u>	<u>453,787</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	294,180	89,976	384,156
Committed	4,346		4,346
Assigned		4,700	4,700
Unassigned	28,565	144,780	173,345
<i>Fund Cash Balances, December 31</i>	<u>\$327,091</u>	<u>\$239,456</u>	<u>\$566,547</u>

*See accompanying notes to the basic financial statements*

# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Paulding County Soil and Water Conservation District, Paulding 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 lands.

### ***Public Entity Risk Pools***

The District participates in the County Commissioners Association of Ohio Service Corporation and the County Risk Sharing Authority, Inc. (CORSA). Note 5 to the financial statements provides additional information for these entities.

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.

### ***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.



# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

*(Continued)*

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## ***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 2017 budgetary activity appears in Note 3.

## ***Deposits and Investments***

The Paulding 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 Paulding County Treasurer at 115 North Williams Street, Paulding, Ohio 45879-1284, or by calling 419-399-8280.

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.

For the District Fund, the District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized basis that provides an 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.

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

*(Continued)*

**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 ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$184,000	\$296,858	\$112,858

  

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$199,975	\$197,584	\$2,391

**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 Paulding County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

*(Continued)*

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	<u>2017</u>
Demand deposits	\$281,394
County Treasurer Deposits	<u>239,456</u>
Total deposits	520,850
STAR Ohio	<u>45,697</u>
Total deposits and investments	<u>\$566,547</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Risk Management**

The District provides health insurance for full-time employees through a private insurance company.

***Workers' Compensation***

The District's employees are insured against injuries through the Ohio Bureau of Workers' Compensation through Paulding County.

For 2017, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (the Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

# PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT

Paulding County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

## ***Risk Pool Membership***

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2017, Paulding County contracted with County Risk Sharing Authority (CORSA), on behalf of County departments including the District, for insurance coverage. The CORSA program has a \$2,500 deductible. CORSA provided coverage as follows:

<u>Property</u>	
Building and Contents	Replacement Cost
Valuable Papers	\$2,500,000 Each Occurrence
Extra Expense/Business Income	\$1,000,000 Each Occurrence
Electronic Data Processing Equipment	\$250,000 Each Occurrence
Contractors Equipment	Replacement Cost
Flood and Earthquake	\$100,000,000 Annual Aggregate
Auto Physical Damage	Actual Cash Value or Cost of Repair
Sewer Lines	\$3,845,000
Electronic Data Media	\$100,000 Each Occurrence
Automatic Acquisition	\$5,000,000
Boiler and Machinery	\$100,000,000 Each Accident
Property in Transit	\$100,000 Each Occurrence
Unintentional Omissions	\$250,000 Each Occurrence
Pollutant Cleanup/Removal	\$10,000 Coverage Period
Law Enforcement Canines	\$50,000 Each Occurrence
<u>Liability</u>	
Automobile Liability	\$1,000,000 Each Occurrence
Uninsured/Underinsured Motorists	\$250,000 Each Occurrence
General Liability	\$1,000,000 Each Occurrence
Excess Liability	\$5,000,000 Each Occurrence
Law Enforcement Liability	\$1,000,000 Each Occurrence
Errors and Omissions Liability	\$1,000,000 Annual Aggregate
Attorney Disciplinary Proceedings	\$25,000 Annual Aggregate
Cyber Liability and Expense	\$1,000,000 Annual Aggregate

**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

*Paulding County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

*(Continued)*

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<u>Crime</u>	
Employee Dishonesty/Faithful Performance	\$1,000,000 Each Occurrence
Loss Inside the Premises (money and securities)	\$1,000,000 Each Occurrence
Loss Outside the Premises (money and securities)	\$1,000,000 Each Occurrence
Money Orders and Counterfeit Paper Currency	\$1,000,000 Each Occurrence
Depositors Forgery	\$1,000,000 Each Occurrence
Fund Transfer Fraud	\$500,000 Each Occurrence
Computer Fraud	\$500,000 Each Occurrence
Individual Public Official Bond Excess	\$250,000 Each Occurrence

There has been no significant reduction in insurance coverage from 2016, and settled claims have not exceeded this coverage in the past three years.

CORSA reported the following summary of assets and liabilities as of April 30, 2017:

	<u>2017</u>
Assets	\$123,062,621
Liabilities	\$30,836,698

**Note 6 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All 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, 2017.

**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 1.0 percent during calendar year 2017. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2017.

**Note 8 – All Other Revenue**

In 2017, the “all other revenue” line item on the financial statements for the Special Fund primarily comprised of various reimbursements, including reimbursements from the County’s Ditch Maintenance Fund.

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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**

Paulding County Soil and Water Conservation District  
Paulding County  
900 Fairground Drive, Suite B  
Paulding, Ohio 45879

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 Paulding County Soil and Water Conservation District, Paulding County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated October 28, 2019 wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture permit.

***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 2018-001 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 response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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

October 28, 2019



**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

In our 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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying financial statements:

- In 2018 and 2017, the restricted fund balance was understated and the unassigned fund balance was overstated in the District Fund by \$64,350 and \$68,976, respectively.
- In 2018, Special Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance by \$104,500.
- In 2018, \$14,704 in reimbursements in the Special Fund were incorrectly classified as ditch maintenance reimbursements instead of all other revenue.
- In 2018, service fees in the amount of \$12,099 were incorrectly classified as reimbursements – state refunds in the Special Fund.
- In 2018, the beginning fund balance for the District Fund was understated by \$45,885.
- In 2018, \$24,399 in health insurance disbursements in the Special Fund were incorrectly classified as service fees instead of hospitalization.
- In 2017, disbursements totaling \$26,815 in the Special Fund were incorrectly classified amongst various disbursement line items on the financial statements.
- In 2017, the beginning fund balance for the District and Special Funds were understated by \$45,151 and \$140,182, respectively.
- In 2017, Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission by \$33,600 in the Special Fund.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the District's financial statements and notes to the financial statements did not correctly reflect the financial activity of the District. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the District Administrator and Board, to identify and correct errors and omissions. In addition, the District Administrator should also review the Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**Officials' Response:**

Audit Bulletin 2011-004 has been reviewed and will be incorporated into subsequent reports.



# Paulding Soil & Water Conservation District

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding for recovery, significant deficiency, and noncompliance with Ohio Rev. Code § 117.28 for public monies collected but unaccounted for.	Corrective action taken and finding is fully corrected.	
2016-002	Finding for recovery and noncompliance with Ohio Rev. Code § 117.28 and § 149.351 for public monies expended for an improper purpose due to lack of proper supporting documentation.	Corrective action taken and finding is fully corrected.	
2016-003	Material weakness and noncompliance with Ohio Admin. Code 117-2-02(A), (C)(1), and (D) for not maintaining a proper accounting system.	Corrective action taken and finding is fully corrected.	
2016-004	Ohio Rev. Code § 5705.41(B) for expenditures in excess of appropriations in the Special Fund.	Corrective action taken and finding is fully corrected.	
2016-005	This finding was first reported in 2012. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2018-001 in this report.	The audit for the years 2012 through 2016 was not completed until the end of 2018, thus a corrective measure was not enacted for fiscal years 2018 and 2017. However, the District has a better understanding of the posting issues and will continue to monitor the District's financial statements and make changes as necessary.
2016-006	Material weakness for lack of monitoring of rental contracts resulting in deficiencies in properly executing these contracts.	Corrective action taken and finding is fully corrected.	

To promote the wise use of our natural resources in order to enhance the environment and quality of life for the people of Paulding County.

# OHIO AUDITOR OF STATE KEITH FABER



**PAULDING COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**PAULDING 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  
NOVEMBER 12, 2019**