



**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019-2018

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Preservation Parks of Delaware County
Delaware County
2656 Hogback Road
Sunbury, Ohio 43074

To the Board of Park Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Preservation Parks of Delaware County, Delaware 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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. 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 by fund type, and related notes of the Preservation Parks of Delaware County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the financial statement, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

October 8, 2020

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Preservation Parks District
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$6,216,603	\$0	\$0	\$6,216,603
Charges for Services	20,489	0	0	20,489
Fines, Licenses and Permits	280	0	0	280
Intergovernmental	562,120	0	1,715,987	2,278,107
Interest Earnings	116,589	0	0	116,589
Donations	161,387	0	17,000	178,387
Miscellaneous	6,604	0	4,199	10,803
<i>Total Cash Receipts</i>	<u>7,084,072</u>	<u>0</u>	<u>1,737,186</u>	<u>8,821,258</u>
Cash Disbursements				
Current:				
Conservation/Recreation:				
Salaries	1,658,239	0	0	1,658,239
Fringe Benefits	644,658	0	0	644,658
Materials and Supplies	259,482	0	0	259,482
Services and Charges	681,227	0	4,199	685,426
Grants in Aid	16,108	0	0	16,108
Capital Outlay	1,038,663	0	1,650,752	2,689,415
Debt Service:				
Principal Retirement	0	126,000	0	126,000
<i>Total Cash Disbursements</i>	<u>4,298,377</u>	<u>126,000</u>	<u>1,654,951</u>	<u>6,079,328</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,785,695</u>	<u>(126,000)</u>	<u>82,235</u>	<u>2,741,930</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,626			3,626
Advances In	603,808	0	156,727	760,535
Advances Out	(156,727)	0	(603,808)	(760,535)
Transfers In	0	126,000	405,665	531,665
Transfers Out	(531,665)	0	0	(531,665)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(80,958)</u>	<u>126,000</u>	<u>(41,416)</u>	<u>3,626</u>
<i>Net Change in Fund Cash Balances</i>	2,704,737	0	40,819	2,745,556
<i>Fund Cash Balances, January 1, 2019</i>	<u>2,057,268</u>	<u>0</u>	<u>26,800</u>	<u>2,084,068</u>
Fund Cash Balances, December 31				
Restricted	0	0	67,619	67,619
Committed	110,667	0	0	110,667
Assigned	34,020	0	0	34,020
Unassigned	4,617,318	0	0	4,617,318
<i>Fund Cash Balances, December 31</i>	<u>\$4,762,005</u>	<u>\$0</u>	<u>\$67,619</u>	<u>\$4,829,624</u>

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

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**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. Reporting Entity

The Preservation Parks District (the District), Delaware County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The probate judge of Delaware County appoints a three-member Board of Commissioners to govern the District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of these assets conducive to the general welfare.

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

The Delaware County Foundation (the Foundation) is a not-for-profit organization who receives donations and earmarks the contributions for projects throughout Delaware County. The Foundation collaborates with the District. As of December 31, 2019, the Foundation had \$15,643 in donations to be used for Preservation Parks.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

B. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project funds:

The Nature Works Grant Fund accounts for the acquisition, development or rehabilitation of public parks and recreational areas.

The Clean Ohio Trails Grant Fund accounts for funds to help develop and maintain recreation trails and trail-related facilities.

The Ohio Public Works Commission Funds is dedicated to environmental conservations including acquisition of green space and the protection and enhancement of river and stream corridors.

The Recreational Trail Fund accounts for funds to assist in the rehabilitation, development, maintenance, and acquisition of recreational trails. The Sandel Legacy Trail is one of three segments of the Ohio to Erie trail administered by the District.

The Ohio to Erie Trails Grant Fund accounts for land acquisition and trail construction

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

E. Deposits and Investments

As the Ohio Revised Code permits, the Delaware County Treasurer holds the District's deposits as the District's custodian. The County holds the District's assets in its investment pool, valued at the Treasurer's reported carrying amount.

F. 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.

G. 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.

H. 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:

1. Nonspendable

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

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

H. Fund Balance (Continued)

2. Restricted

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

3. Committed

Commissioners can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners 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.

4. Assigned

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

5. Unassigned

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

The 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.

3. Compliance

Contrary to Ohio law, the District transferred monies from the Recreational Trail Capital Project Fund to the General Fund without the approval from the court of common pleas as required by **Ohio Rev. Code § 5705.14(B)**.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

4. Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,994,708	\$7,087,698	\$92,990
Debt Service	126,227	126,000	(227)
Capital Projects	2,459,708	2,142,851	(316,857)
Total	\$9,580,643	\$9,356,549	(\$224,094)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,234,269	\$4,864,062	\$1,370,207
Debt Service	126,227	126,000	227
Capital Projects	1,739,311	1,654,951	84,360
Total	\$8,099,807	\$6,645,013	\$1,454,794

5. Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

6. Advances

Outstanding advances at December 31, 2019, consisted of the following to the District's capital project funds: \$22,167 to the Ohio Public Works Commission-Alum Creek Phase 3, \$5,403 to the Ohio Public Works Commission-Alum Creek Phase 4, and \$267,123 to the Capital Improvement Program Fund. These amounts were advanced from the District's general fund to provide working capital for projects.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

7. Risk Management

Delaware County provides workers' compensation insurance for the Council through a self-insurance plan offered by the State of Ohio. The plan allows the County to administer its own workers' compensation claims, including the approval of claims and the payment of compensation and medical payments for injured employees. The plan requires that the County participate in the Self-Insured Employers Guaranty Fund through the State of Ohio that guarantees that claims liabilities are satisfied if the self-insured employer is unable to pay the claims.

8. Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

9. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

10. 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 a 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 2019.

11. Debt

On November 13, 2018, the District entered into an agreement to purchase land from Walter and Kathryn Sandel in the amount of \$920,568. The District paid \$797,416 down payment and fees at closing. The District paid the outstanding balance of \$126,000 in 2019.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)**

12. Subsequent Events

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 Preservation Parks of Delaware County. With Delaware County being the fiscal agent for the District, the County's investment portfolio and other employee benefit plans in which the District participates have 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.

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Preservation Parks District
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property Taxes	\$3,724,801	\$0	\$0	\$3,724,801
Charges for Services	23,369	0	0	23,369
Fines, Licenses and Permits	393	0	0	393
Intergovernmental	528,114	0	341,817	869,931
Interest Earnings	68,375	0	0	68,375
Donations	70,847	0	0	70,847
Miscellaneous	82,606	0	0	82,606
<i>Total Cash Receipts</i>	<u>4,498,505</u>	<u>0</u>	<u>341,817</u>	<u>4,840,322</u>
Cash Disbursements				
Current:				
Conservation/Recreation:				
Salaries	1,555,319	0	0	1,555,319
Fringe Benefits	601,251	0	0	601,251
Materials and Supplies	222,051	249	0	222,300
Services and Charges	791,701	0	20,273	811,974
Grants in Aid	746	0	0	746
Capital Outlay	615,606	0	1,523,327	2,138,933
<i>Total Cash Disbursements</i>	<u>3,786,674</u>	<u>249</u>	<u>1,543,600</u>	<u>5,330,523</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>711,831</u>	<u>(249)</u>	<u>(1,201,783)</u>	<u>(490,201)</u>
Other Financing Sources (Uses)				
Advances In	75,226	0	817,000	892,226
Advances Out	(817,000)	0	(75,226)	(892,226)
Transfers In	0	0	348,439	348,439
Transfers Out	(348,439)	0	0	(348,439)
Proceeds of Debt			126,000	126,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,090,213)</u>	<u>0</u>	<u>1,216,213</u>	<u>126,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(378,382)</u>	<u>(249)</u>	<u>14,430</u>	<u>(364,201)</u>
<i>Fund Cash Balances, January 1, 2018</i>	<u>2,435,650</u>	<u>249</u>	<u>12,370</u>	<u>2,448,269</u>
Fund Cash Balances, December 31				
Restricted	0	0	26,800	26,800
Committed	113,280	0	0	113,280
Assigned	0	0	0	0
Unassigned	1,943,988	0	0	1,943,988
<i>Fund Cash Balances, December 31</i>	<u>\$2,057,268</u>	<u>\$0</u>	<u>\$26,800</u>	<u>\$2,084,068</u>

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

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**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Reporting Entity

The Preservation Parks District (the District), Delaware County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The probate judge of Delaware County appoints a three-member Board of Commissioners to govern the District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of these assets conducive to the general welfare.

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

The Delaware County Foundation (the Foundation) is associated with the District. The Foundation is a not-for-profit organization who receives donations and earmarks the contributions for projects throughout Delaware County. As of December 31, 2018, the Foundation had \$15,643 in donations to be used for Preservation Parks.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

B. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District has the following significant Special Revenue Fund:

The U.S. Fish and Wildlife Service Fund was dedicated to promoting restoration activities on park lands located in Delaware County.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project funds:

The Clean Ohio Trails Grant Fund accounts for funds to help develop and maintain recreation trails and trail-related facilities.

The OPWC-Alum Creek Phase 3 Fund accounts for funds to permanently protect floodplain and riparian corridor along Alum Creek. The emphasis is to preserve and restore water quality, stream channels, functioning floodplains, and wetlands.

The Recreational Trail Fund accounts for funds to assist in the rehabilitation, development, maintenance, and acquisition of recreational trails. The Sandel Legacy Trail is one of three segments of the Ohio to Erie trail administered by the District.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

E. Deposits and Investments

As the Ohio Revised Code permits, the Delaware County Treasurer holds the District's deposits as the District's custodian. The County holds the District's assets in its investment pool, valued at the Treasurer's reported carrying amount.

F. 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.

G. 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.

H. 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:

1. Nonspendable

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

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

H. Fund Balance (Continued)

2. Restricted

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

3. Committed

Commissioners can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners 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.

4. Assigned

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

5. Unassigned

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

The 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.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,274,445	\$4,498,505	\$224,060
Special Revenue	249	0	(249)
Capital Projects	1,560,290	816,256	(744,034)
Total	\$5,834,984	\$5,314,761	(\$520,223)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,565,590	\$4,140,849	\$1,424,741
Special Revenue	249	249	0
Capital Projects	1,570,292	1,543,600	26,692
Total	\$7,136,131	\$5,684,698	\$1,451,433

4. Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

5. Advances

Outstanding advances at December 31, 2018, consisted of the following to the District's capital project funds: \$492,000 to the Clean Ohio Trail Fund, \$74,774 to the Recreational Trail Fund, and \$175,000 to the Capital Improvement Program Fund. These amounts were advanced from the District's general fund to provide working capital for projects.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

6. Risk Management

Delaware County provides workers' compensation insurance for the Council through a self-insurance plan offered by the State of Ohio. The plan allows the County to administer its own workers' compensation claims, including the approval of claims and the payment of compensation and medical payments for injured employees. The plan requires that the County participate in the Self-Insured Employers Guaranty Fund through the State of Ohio that guarantees that claims liabilities are satisfied if the self-insured employer is unable to pay the claims.

7. Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

8. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

9. 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 a 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.

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>
Sandel Mortgage	\$126,000

On November 13, 2018, the District entered into an agreement to purchase land from Walter and Kathryn Sandel in the amount of \$920,568. The District paid \$797,416 down payment and fees at closing. An additional payment of \$126,000 is due no later than March 31, 2019.

11. Subsequent Events

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 Preservation Parks of Delaware County. With Delaware County being the fiscal agent for the District, the County's investment portfolio and other employee benefit plans in which the District participates have 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.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Preservation Parks of Delaware County
Delaware County
2656 Hogback Road
Sunbury, Ohio 43074

To the Board of Park Commissioners:

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 by fund type of the Preservation Parks of Delaware County, Delaware 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 October 8, 2020, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and 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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2019-002.

Government's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 Government'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 8, 2020

**PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY**

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

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

FINDING NUMBER 2019-001

Material Weakness – Financial Statement Presentation

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

During 2019, the District improperly evaluated donations received from the Nester Estate as having restrictions and moved the activity from the General Fund to a Special Revenue and re-stated the 2019 beginning fund balances.

In addition to reporting the activity within the incorrect opinion units, the District did not properly classify the unspent proceeds of this fund in accordance with Governmental Accounting Standard Board Statement No. 54 in 2019.

To correct the financial statements for the year ending December 31, 2019 the following adjustments and reclassifications were made:

<i>Posting Errors</i>	2019
Material and Supplies expense was reported in the Special Revenue Fund rather than the General Fund	\$ 2,613
The restated beginning balance of the Special Revenue fund was reduced to reflect the unspent proceeds of the Nester Estate in the General Fund rather than the Special Revenue Fund.	\$ 113,280
The General Fund year end Committed balance was increased \$110,667 to properly classify the unspent proceeds of the Nester Estate recorded as Restricted in the Special Revenue Fund.	\$ 110,667

In addition to the posting errors identified above, we also noted 1 additional misclassification for \$68,375 that we brought to management's attention.

Presenting inaccurate financial information resulted in significant adjustments and modifications to District's financial statements.

We recommend the District review policies and procedures to help enhance controls over recording transactions and financial reporting increasing the reliability of the financial data throughout the year.

Officials' Response: The Preservation Parks committed the Nester Estate donation to be used for gallant farm with Resolution 2016-337 and will ensure all required documents for donations are received and evaluated upon acceptance. In 2018 \$68,375 of interest income was combined in one revenue line as miscellaneous income. The reclassification has been made to separate interest income from miscellaneous income.

PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-002

Material Noncompliance – Transfers

Ohio Rev. Code § 5705.09(F) states that a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Rev. Code § 5705.13(C) provides a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

A taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

When the District passed the resolution to establish the Recreational Trails Fund, the District failed to identify the source of the money to be used to acquire, construct, or improve the fixed assets, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund as required under **Ohio Rev. Code § 5705.13(C)**. Without establishing appropriate approval under **Ohio Rev. Code § 5705.13(C)**, the establishment of the fund falls under the provisions of **Ohio Rev. Code § 5705.09(F)**.

Ohio Rev. Code § 5705.14(B) provides that the unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

As a result of establishing Recreational Trails Fund under **Ohio Rev. Code § 5705.09(F)**, the transfer authorized in **Ohio Rev. Code § 5705.13(C)** stating, "A taxing authority of a subdivision, by resolution or ordinance, may rescind a capital projects fund. If a capital projects fund is rescinded, money that has accumulated in the fund shall be transferred to the fund or funds from which the money originally was transferred," does not apply to the Recreational Trails Fund. In 2019, the District transferred the unexpended balance within the Recreational Trails Fund of \$15,692 to the General Fund; however, the District failed to obtain approval from the court of common pleas as required by **Ohio Rev. Code § 5705.14(B)**.

PRESERVATION PARKS OF DELAWARE COUNTY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-002 (Continued)

Material Noncompliance – Transfers (Continued)

With respect to the provisions of **Ohio Rev. Code § 5705.14(B)**, the proceeds of the transfer receipted within the General Fund were required to be returned to the Recreational Trails Fund. The District adjusted their financial statements to properly reflect this activity.

Prior to approving a transfer, the District should review all provisions of **Ohio Rev. Code § 5705.14** and seek advice from legal counsel whenever in question.

Additionally, if the District wishes to establish future capital project funds under **Ohio Rev. Code § 5705.13(C)**, the District should include within their resolution all required components outlined by in **Ohio Rev. Code § 5705.13(C)**.

Officials' Response:

Preservation Parks has obtained a court order per the requirements of 5705.14 and this issue has been resolved.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
December 31, 2018 and 2019

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Statement Presentation	not corrected	Refer to finding 2019-001

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**CORRECTIVE ACTION PLAN
DECEMBER 31, 2019 AND 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The Preservation Parks District is working closely with Delaware County, the fiscal agent, to revise the reporting procedures to ensure proper reporting and compliance with all state and federal laws and regulations.	10/13/2020	Tom Curtin
2019-002	The Preservation Parks District is working closely with Delaware County, the fiscal agent, to revise the reporting procedures to ensure proper reporting and compliance with all state and federal laws and regulations.	10/13/2020	Tom Curtin

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OHIO AUDITOR OF STATE KEITH FABER



PRESERVATION PARKS OF DELAWARE COUNTY

DELAWARE 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 11/17/2020

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