



OHIO AUDITOR OF STATE
KEITH FABER



**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Henry Soil and Water Conservation District
Henry County
2260 North Scott Street
Napoleon, Ohio 43545

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 Henry Soil and Water Conservation District, Henry County, Ohio, (the District) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2019 and 2018, 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 Henry Soil and Water Conservation District, Henry County, Ohio as of and for the years ended December 31, 2019 and 2018 in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 20, 2020

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

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Grants			
Local Government		\$ 116,000	\$ 116,000
State Government	\$ 7,470,000	103,728	7,573,728
Charges for Services	24,684	56,644	81,328
Sale of Products/Materials	4,390		4,390
Rentals	722	7,502	8,224
Farm Harvest Income	14,702		14,702
Interest Income	106,072		106,072
All Other Revenue	3,454	13,959	17,413
<i>Total Cash Receipts</i>	<u>7,624,024</u>	<u>297,833</u>	<u>7,921,857</u>
Cash Disbursements			
Salaries		210,512	210,512
Supplies	6,845	2,552	9,397
Equipment	37,597		37,597
Contract Repairs	822		822
Contract Services/Cost Share Payment	4,665	8,648	13,313
Rentals		28,000	28,000
Service Fees	2,096	235	2,331
Information and Education	1,881		1,881
Travel and Expenses	586	752	1,338
Advertising and Printing	1,012		1,012
OPERS		28,426	28,426
Hospitalization		17,624	17,624
Medicare		2,745	2,745
Product/Materials for Resale	1,272		1,272
Vehicle Rental/Liability Insurance		1,701	1,701
Western Lake Erie Basin - Healthy Lake Fund	40,229		40,229
Lake Erie - Nutrient Reduction Program	4,000		4,000
Great Lakes Restoration Initiative - Nutrient Reduction Program	14,958		14,958
Lake Erie - Conservation Reserve Enhancement Program	960		960
Clean Lake 2019	1,093		1,093
Western Lake Erie Senate Bill 299 Payments to Districts	556,456		556,456
Western Lake Erie Senate Bill 299 Reimbursement Payments	53,832		53,832
Manure Nutrient Management	13,959		13,959
Other	13,028	112	13,140
<i>Total Cash Disbursements</i>	<u>755,291</u>	<u>301,307</u>	<u>1,056,598</u>
<i>Net Change in Fund Cash Balances</i>	6,868,733	(3,474)	6,865,259
<i>Fund Cash Balances, January 1</i>	<u>388,976</u>	<u>124,012</u>	<u>512,988</u>
Fund Cash Balances, December 31			
Restricted	6,895,822		6,895,822
Unassigned	361,887	120,538	482,425
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,257,709</u>	<u>\$ 120,538</u>	<u>\$ 7,378,247</u>

See accompanying notes to the financial statements

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

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

Public Entity Risk Pools

The District participates in the County Risk Sharing Authority, Inc. (CORSA) and Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium Insurance Pools. 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 combined statement of receipts, disbursements and changes in fund balances (regulatory 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. This fund also accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

Budgetary Process

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

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Henry 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 Henry County Auditor, Kevin Garringer at auditor@henrycountyohio.com.

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

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.

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.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$310,300	\$297,833	(\$12,467)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$310,300	\$301,307	\$8,993

Note 4 – Deposits and Investments

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

Demand deposits	2019 \$7,257,709
County Treasurer Deposits	120,538
Total deposits	\$7,378,247

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

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.

Note 5 – Risk Management

Health Insurance

The Henry County Commissioners, on behalf of County departments including the District, are members of the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium for employee benefits which includes health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each pool member for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes thirty-nine public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. The District is charged for its proportionate share of the costs of covered employees.

Commercial Insurance

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. The Henry County Commissioners, on behalf of County departments including the District contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has \$2,500 deductible Coverage provided by CORSA is as follows:

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

	<u>Amount</u>
General Liability (per occurrence)	\$1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person) 250,000	
Physical Damage	Actual Cost
Flood and Earthquake (per occurrence)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Inland Marine	Replacement Cost
Automatic Acquisition	5,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	2,000,000
Umbrella (per occurrence)	5,000,000

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

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, 2019.

Note 7 – Postemployment Benefits

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

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

Note 8 – Grants

Lake Erie Nutrient Reduction Program

The District has a grant agreement with Ohio Department of Agriculture of Natural Resources, Division of Soil and Water Resources for the Lake Erie Nutrient Reduction Program for the Lake Erie watershed for the purposes of targeting reduction of nutrients into the waters of the Lake Erie Basin. The District received grant monies of \$269,733 in 2016 and had grant related expenditures of \$4,000 related to this program in 2019.

Great Lake Restoration Initiative Nutrient Reduction Program

The District has a grant agreement with Ohio Department of Agriculture for Implementation of the Great Lakes Restoration Initiative Nutrient Reduction Program for the purposes of targeting implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$314,341 in 2016 and had grant related expenditures of \$14,958 related to this program in 2019.

Lake Erie Conservation Reserve Enhancement Program

The District has a grant agreement with Ohio Department of Agriculture for Lake Erie Conservation Reserve Enhancement Program for the purposes of converting cropland into conservation habitat to promote wildlife, soil, and water conservation in the Western Lake Erie Basin. The District received grant monies of \$35,664 in 2018 and had grant related expenditures of \$960 related to this program in 2019.

Clean Lake 2019

The District has a grant agreement with Ohio Department of Agriculture for Clean Lake 2020 to be used to support county soil and water conservation districts in the Western Lake Erie Basin for staffing costs and to assist in soil testing and nutrient management plan development,. The District received grant monies of \$60,000 and had grant related expenditures of \$1,093 related to this program in 2019.

Senate Bill 299

The District has a grant agreement with Ohio Department of Agriculture for Western Lake Erie Basin Senate Bill 299 for the purposes of reduce the phosphorus and other agricultural nutrients from entering waters of the Western Lake Erie Basin. The District received grant monies of \$7,000,000 and had grant related expenditures of \$610,288 related to this program in 2019.

Manure Nutrient Management

The District has a grant agreement with Ohio Department of Agriculture for Manure Nutrient Management for a multi-county position for providing technical assistance in implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$410,000 and had grant related expenditures of \$13,959 related to this program in 2019.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2019

(Continued)

Note 9 – Contingent Liabilities

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

Note 10 – 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 continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Grants			
Local Government		\$ 116,000	\$ 116,000
State Government	\$ 454,375	106,681	561,056
Charges for Services	53,682	86,892	140,574
Sale of Products/Materials	4,034		4,034
Rentals	935	6,877	7,812
Farm Harvest Income	38,727		38,727
All Other Revenue	1,061		1,061
<i>Total Cash Receipts</i>	<u>552,814</u>	<u>316,450</u>	<u>869,264</u>
Cash Disbursements			
Salaries		191,042	191,042
Supplies	3,210	2,913	6,123
Contract Repairs	435		435
Contract Services/Cost Share Payment	8,477	8,318	16,795
Rentals		28,000	28,000
Service Fees	1,478	225	1,703
Information and Education	2,720	20	2,740
Travel and Expenses	854	40	894
Advertising and Printing	1,899		1,899
OPERS		26,516	26,516
Hospitalization		20,574	20,574
Medicare		2,744	2,744
Product/Materials for Resale	593		593
Vehicle Rental/Liability Insurance		1,884	1,884
Western Lake Erie Basin - Healthy Lake Fund	25,593		25,593
Lake Erie - Nutrient Reduction Program	8,000		8,000
Great Lakes Restoration Initiative - Nutrient Reduction Program	28,013		28,013
2nd Great Lakes Restoration Initiative - Nutrient Reduction Program	421,636		421,636
Lake Erie - Conservation Reserve Enhancement Program	55,234		55,234
Agricultural Stewardship Verification Program	43,250		43,250
Other	52,843	87	52,930
<i>Total Cash Disbursements</i>	<u>654,235</u>	<u>282,363</u>	<u>936,598</u>
<i>Net Change in Fund Cash Balances</i>	(101,421)	34,087	(67,334)
<i>Fund Cash Balances, January 1</i>	<u>490,397</u>	<u>89,925</u>	<u>580,322</u>
Fund Cash Balances, December 31			
Restricted	110,623		110,623
Unassigned	278,353	124,012	402,365
<i>Fund Cash Balances, December 31</i>	<u>\$ 388,976</u>	<u>\$ 124,012</u>	<u>\$ 512,988</u>

See accompanying notes to the financial statements

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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

Public Entity Risk Pools

The District participates in the County Risk Sharing Authority, Inc. (CORSA) and Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium Insurance Pools. 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 combined statement of receipts, disbursements and changes in fund balances (regulatory 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. This fund also accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

Budgetary Process

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Henry 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 Henry County Auditor, Kevin Garringer at auditor@henrycountyohio.com.

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

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.

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.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

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	\$305,700	\$316,450	\$10,750

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$305,700	\$282,363	\$23,337

Note 4 – Deposits and Investments

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

Demand deposits	<u>2018</u> \$388,976
County Treasurer Deposits	124,012
Total deposits	<u>\$512,988</u>

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

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.

Note 5 – Risk Management

Health Insurance

The Henry County Commissioners, on behalf of County departments including the District, are members of the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium for employee benefits which includes health insurance, and prescription drug insurance. Plan options and levels of coverage are established independently by each pool member for its employees. Premiums paid into the pool by each member are based on the level of coverage within each respective plan. The pool includes thirty-nine public entities in the State of Ohio. Member contributions are calculated annually to produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. The District is charged for its proportionate share of the costs of covered employees.

Commercial Insurance

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. The Henry County Commissioners, on behalf of County departments including the District contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has \$2,500 deductible Coverage provided by CORSA is as follows:

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

	<u>Amount</u>
General Liability (per occurrence)	\$1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person) 250,000	
Physical Damage	Actual Cost
Flood and Earthquake (per occurrence)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Inland Marine	Replacement Cost
Automatic Acquisition	5,000,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	2,000,000
Umbrella (per occurrence)	5,000,000

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

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.

Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

Note 8 – Grants

2nd Great Lake Restoration Initiative Nutrient Reduction Program

The District has a grant agreement with Ohio Department of Agriculture for Implementation of the 2nd Great Lakes Restoration Initiative Nutrient Reduction Program for the purposes of targeting implementation of nutrient reduction practices in the Western Lake Erie Basin. The District received grant monies of \$418,710 and had grant related expenditures of \$421,636 related to this program in 2018.

Lake Erie Conservation Reserve Enhancement Program

The District has a grant agreement with Ohio Department of Agriculture for Lake Erie Conservation Reserve Enhancement Program for the purposes of converting cropland into conservation habitat to promote wildlife, soil, and water conservation in the Western Lake Erie Basin. The District received grant monies of \$35,664 and had grant related expenditures of \$55,234 related to this program in 2018.

Note 9 – Contingent Liabilities

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

Note 10 – 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 continuing emergency measures may impact subsequent periods of the District. 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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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Henry Soil and Water Conservation District
Henry County
2260 North Scott Street
Napoleon, Ohio 43545

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 Henry Soil and Water Conservation District, Henry County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020 wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 statements. 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*.

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

November 20, 2020

**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

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

The following errors were identified in the accompanying financial statements:

- In 2019, state grant receipts in the District Fund were overstated by \$254,023 due to carryover grant monies of \$110,623 errantly posted as current year and Western Lake Erie Basin Senate Bill 299 receipts of \$143,400 were double posted, this also resulted in beginning fund balance being understated by \$110,623;
- In 2019, Western Lake Erie Basin Senate Bill 299 expenditures in the District Fund were overstated by \$238,958 due to \$143,400 being double posted and interest receipts totaling \$95,558 were transferred from the SB 299 bank account to the operating bank account. This entry was posted as a receipt and as an expense;
- In 2018, state grant receipts in the District Fund were overstated and beginning fund balances was understated by \$237,974 due to carryover grant monies errantly posted as current year.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Supervisors to make misinformed decisions. The accompanying financial statements, notes to the financial statements, and where applicable, the District's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted.

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

Officials' Response:

We did not receive a response from Officials to this finding.

**HENRY SOIL AND WATER CONSERVATION DISTRICT
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2019-001 in this report.	This finding recurred due to inadequate policies and procedures in reviewing the financial statements for errors and omissions. The District's management and Board of Supervisors will perform detailed reviews of financial information to help ensure financial statements are correct.

OHIO AUDITOR OF STATE KEITH FABER



HENRY SOIL AND WATER CONSERVATION DISTRICT

HENRY 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 12/8/2020

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