



Dave Yost • Auditor of State



HURON SOIL AND WATER CONSERVATION DISTRICT  
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2016 .....	9
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Huron Soil and Water Conservation District  
Huron County  
8 Fair Road,  
Norwalk, Ohio 44857-2090

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 Huron Soil and Water Conservation District, Huron County, Ohio, (the District) as of and for the years ended December 31, 2017 and 2016.

### ***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, 2017 and 2016, 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 Huron Soil and Water Conservation District, Huron County, Ohio as of and for the years ended December 31, 2017 and 2016 in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 26, 2018

**Huron Soil and Water Conservation District**  
*Huron County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2017*

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government	\$ 2,000	\$ 170,000	\$ 172,000
State Government		117,797	117,797
Gifts and Contributions	15,095		15,095
Sale of Products/Materials	10,810		10,810
Rentals	61,386		61,386
Farm Harvest Income	73,397		73,397
All Other Revenue	5,343	1,023	6,366
<i>Total Cash Receipts</i>	<u>168,031</u>	<u>288,820</u>	<u>456,851</u>
<b>Cash Disbursements</b>			
Salaries		150,943	150,943
Supplies	4,271		4,271
Equipment	58,333		58,333
Contract Services/Cost Share Payment	6,349		6,349
Service Fees	1,560	1,944	3,504
Information and Education	13,830	260	14,090
Travel and Expenses	7,722	2,615	10,337
Advertising and Printing	697	4,000	4,697
OPERS		20,654	20,654
Worker's Compensation		1,300	1,300
Hospitalization		29,275	29,275
Medicare		2,153	2,153
Annual Meeting/Banquet	754		754
Other	50,844	26,450	77,294
<i>Total Cash Disbursements</i>	<u>144,360</u>	<u>239,594</u>	<u>383,954</u>
<i>Net Change in Fund Cash Balances</i>	23,671	49,226	72,897
<i>Fund Cash Balances, January 1</i>	<u>279,344</u>	<u>96,494</u>	<u>375,838</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned	<u>303,015</u>	<u>145,720</u>	<u>448,735</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 303,015</u>	<u>\$ 145,720</u>	<u>\$ 448,735</u>

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

# Huron Soil and Water Conservation District

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Huron Soil and Water Conservation District, Huron 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. The District contracts with Brown, Crane and Associates to provide accounting services.

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

The District participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. Note 10 to the financial statements provides additional information for this entity.

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

## **Note 2 – Summary of Significant Accounting Policies**

### ***Basis of Presentation***

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

### ***Fund Accounting***

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

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

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

### ***Basis of Accounting***

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

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

### ***Budgetary Process***

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

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Huron 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 Huron County Auditor’s Office at 12 East Main Street, Suite 300, Norwalk, Ohio 44857.

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

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

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

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

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

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

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

**Committed** Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$294,571	\$288,820	(\$5,751)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$391,065	\$239,594	\$151,471

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

---

**Note 4 – Deposits and Investments**

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

	2017
Demand deposits	\$125,066
Amounts on deposit with fiscal agent	145,720
STAR Ohio	177,949
Total deposits and investments	<u>\$448,735</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

***Investments***

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

**Note 5 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material. The District is supported by the County in a Group Rating program sponsored by the CCAO.

***Risk Pool Membership***

Huron County (the County) maintains comprehensive insurance coverage as a member of a pooled insurance agreement with the County Risk Sharing Authority (CORSA). The pool purchases excess insurance to supplement the pooled funds.

**Note 6 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries and the District contributed an amount equaling 14% percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

---

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 8 – Debt**

*Leases*

The District leases a building under noncancelable lease. The district disbursed \$27,039 to pay lease costs for the year ended December 31, 2017.

*Amortization*

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

Year Ending December 31:	Leases
2018	\$27,184
2019	27,280
2020	27,327
2021	27,326
2022	27,276
2023-2026	106,746
Total	<u>\$243,139</u>

**Note 9 – Contingent Liabilities**

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

**Note 10 – Public Entity Risk Pool**

The District participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Huron Soil and Water Conservation District**  
*Huron County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2016*

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government		\$ 180,000	\$ 180,000
State Government	\$ 2,772	115,811	118,583
Gifts and Contributions	14,185		14,185
Sale of Products/Materials	13,563		13,563
Rentals	58,236		58,236
Farm Harvest Income	93,561		93,561
All Other Revenue	838		838
<i>Total Cash Receipts</i>	<u>183,155</u>	<u>295,811</u>	<u>478,966</u>
<b>Cash Disbursements</b>			
Salaries		157,637	157,637
Supplies	3,974		3,974
Equipment	117,973		117,973
Contract Services/Cost Share Payment	3,050		3,050
Service Fees		2,296	2,296
Information and Education	12,351	2,597	14,948
Travel and Expenses	3,328	2,000	5,328
Advertising and Printing		3,109	3,109
OPERS		21,255	21,255
Worker's Compensation		996	996
Unemployment Compensation		9,022	9,022
Hospitalization		38,448	38,448
Medicare		2,161	2,161
Product/Materials for Resale	1,618		1,618
Annual Meeting/Banquet	2,232		2,232
Other	42,260	7,245	49,505
<i>Total Cash Disbursements</i>	<u>186,786</u>	<u>246,766</u>	<u>433,552</u>
<i>Net Change in Fund Cash Balances</i>	(3,631)	49,045	45,414
<i>Fund Cash Balances, January 1</i>	<u>282,975</u>	<u>47,449</u>	<u>330,424</u>
<b>Fund Cash Balances, December 31</b>			
Assigned		96,494	96,494
Unassigned	279,344		279,344
<i>Fund Cash Balances, December 31</i>	<u>\$ 279,344</u>	<u>\$ 96,494</u>	<u>\$ 375,838</u>

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

# Huron Soil and Water Conservation District

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Huron Soil and Water Conservation District, Huron 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. The District contracts with Brown, Crane and Associates to provide accounting services.

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

The District participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. Note 10 to the financial statements provides additional information for this entity.

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

## **Note 2 – Summary of Significant Accounting Policies**

### ***Basis of Presentation***

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

### ***Fund Accounting***

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

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

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

### ***Basis of Accounting***

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

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

### ***Budgetary Process***

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

## Huron Soil and Water Conservation District

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

### **Note 2 – Summary of Significant Accounting Policies (continued)**

**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 2016 budgetary activity appears in Note 3.

#### ***Deposits and Investments***

The Huron 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 Huron County Auditor's Office at 12 East Main Street, Suite 300, Norwalk, Ohio 44857 or by calling 419-668-4304.

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

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

#### ***Capital Assets***

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

#### ***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

#### ***Fund Balance***

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

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

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

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

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

**Committed** Supervisors can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Supervisors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$317,286	\$295,811	(\$21,475)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$364,734	\$246,766	\$117,968

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

**Note 4 – Deposits and Investments**

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

	<u>2016</u>
Demand deposits	\$115,285
Amounts on deposit with fiscal agent	96,494
STAR Ohio	<u>164,059</u>
Total deposits and investments	<u>\$375,838</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

***Investments***

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

**Note 5 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material. The District is supported by the County in a Group Rating program sponsored by the CCAO.

***Risk Pool Membership***

Huron County (the County) maintains comprehensive insurance coverage as a member of a pooled insurance agreement with the County Risk Sharing Authority (CORSA). The pooled purchases excess insurance to supplement the pooled funds.

**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, 2016.

**Huron Soil and Water Conservation District**

*Huron County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

**Note 7 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 8 – Debt**

*Leases*

The District leases a building under noncancelable lease. The district disbursed \$27,869 to pay lease costs for the year ended December 31, 2017.

*Amortization*

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

Year Ending December 31:	Leases
2017	\$27,038
2018	27,184
2019	27,280
2020	27,327
2021	27,326
2022-2026	134,022
Total	<u>\$270,177</u>

**Note 9 – Contingent Liabilities**

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

**Note 10 – Public Entity Risk Pool**

The District participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



# Dave Yost • Auditor of State

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

Huron Soil and Water Conservation District,  
Huron County  
8 Fair Road  
Norwalk, Ohio 44857-2090

To the Board of Supervisors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements for each fund of the Huron Soil and Water Conservation District, Huron County, Ohio (the District) as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2018, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits.

### ***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 2017-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 26, 2018

**HURON SOIL AND WATER CONSERVATION DISTRICT  
HURON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**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.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to readers of the financial statements accurately reflects the District's activity. The District should have procedures in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements.

We identified the following errors in the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- Appropriation Authority amounts in the Special Fund were increased \$102,245 in order to bring the notes to the financial statements in line with authorized budget amounts;
- The Ditch Maintenance is reported as part of Huron County. Revenues of \$137,084, Expenses of \$141,721, and Beginning Fund Balance of \$154,482 were removed from the District's Financial Statements;
- District fund assigned balances in the amount of \$189,239 and committed in the amount of \$47,907 were reclassified to unassigned in accordance with the requirements of Governmental Accounting Standards Board Statement No. 54 (GASB 54), which is codified as GASB Cod 1800.165-.179.
- Local Revenue in the amount of \$12,863 was reclassified to State revenue.

We identified the following errors in to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- Appropriation Authority amounts in the Special Fund were increased \$68,923 in order to bring the notes to the financial statements in line with authorized budget amounts;
- The Ditch Maintenance is reported as part of Huron County. Revenues of \$87,529, Expenses of \$79,949, and Beginning Fund Balance of \$146,902 were removed from the District's Financial Statements;
- District fund assigned balances in the amount of \$212,545 and committed in the amount of \$40,091 were reclassified to unassigned in accordance with the requirements of GASB 54, which is codified as GASB Cod 1800.165 - .179;
- Fund balance related to appropriations in excess of estimated receipts within the Special Fund of \$96,494 was recorded as Unassigned rather than Assigned as required by GASB 54, codified as GASB Cod 1800.176

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors. Failing to prepare accurate financial statements could lead to the Board or financial statement user to make misinformed decisions. Additional errors were noted in smaller relative amounts.

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

#### **Officials' Response**

We did not receive a response from Officials to the finding reported above.



# Dave Yost • Auditor of State

**HURON SOIL AND WATER CONSERVATION DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 11, 2018**