



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## 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 the Henry Soil and Water Conservation District, Henry 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 the Henry Soil and Water Conservation District, Henry 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 16, 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 16, 2018

**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, 2017*

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government	\$ 550	\$ 116,000	\$ 116,550
State Government	809,580	90,485	900,065
Charges for Services	89,159	98,478	187,637
Sale of Products/Materials	4,864		4,864
Rentals	864	7,502	8,366
Farm Harvest Income	29,016		29,016
All Other Revenue	4,231		4,231
<i>Total Cash Receipts</i>	<u>938,264</u>	<u>312,465</u>	<u>1,250,729</u>
<b>Cash Disbursements</b>			
Salaries		230,902	230,902
Supplies	3,752	2,580	6,332
Equipment	37,000		37,000
Contract Repairs	767		767
Contract Services/Cost Share Payment	1,857	7,615	9,472
Rentals		28,000	28,000
Service Fees	1,578	225	1,803
Information and Education	3,673		3,673
Travel and Expenses		879	879
Advertising and Printing	1,764		1,764
OPERS		28,602	28,602
Worker's Compensation		2,232	2,232
Hospitalization		22,987	22,987
Medicare		2,662	2,662
Product/Materials for Resale	568		568
Vehicle Rental/Liability Insurance		2,302	2,302
Lake Erie - Nutrient Reduction Program	29,500		29,500
Great Lakes Restoration Initiative - Nutrient Reduction Program	25,954		25,954
2nd Great Lakes Restoration Initiative - Nutrient Reduction Program	771,710		771,710
Lake Erie - Conservation Reserve Enhancement Program	16,016		16,016
West Lake Erie Basin - Healthy Lake	91,219		91,219
Agricultural Stewardship Verification Program	9,000		9,000
Other	51,128	89	51,217
<i>Total Cash Disbursements</i>	<u>1,045,486</u>	<u>329,075</u>	<u>1,374,561</u>
<i>Net Change in Fund Cash Balances</i>	(107,222)	(16,610)	(123,832)
<i>Fund Cash Balances, January 1</i>	<u>597,619</u>	<u>106,535</u>	<u>704,154</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	236,675		236,675
Assigned		6,600	6,600
Unassigned	<u>253,722</u>	<u>83,325</u>	<u>337,047</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 490,397</u>	<u>\$ 89,925</u>	<u>\$ 580,322</u>

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

# Henry Soil and Water Conservation District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

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## **Note 1 – Reporting Entity**

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

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

The District participates in the County 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 provide 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 (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 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, 2017

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

#### ***Budgetary Process***

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

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

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

A summary of 2017 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 Treasurer, Kevin Garringer at [auditor@henrycountyohio.com](mailto:auditor@henrycountyohio.com).

The District's accounting basis for the District Fund includes deposits as assets.

#### ***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, 2017*

**Note 2 – Summary of Significant Accounting Policies (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*. 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.

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	\$420,000	\$312,465	(\$107,535)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$426,600	\$329,075	\$97,525

**Note 4 – Deposits**

The District maintains a deposit pool for the District Fund. The Henry County Treasurer maintains a deposit and investments pool for the Special Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2017 \$490,397
County Treasurer Deposits	89,925
Total deposits	\$580,322

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 4 – Deposits (continued)**

*Deposits*

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Risk Management**

*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:

	<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 (pool limit)	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.

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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

***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.

**Note 6 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**Note 7 – Postemployment Benefits**

OPERS offers 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 – Grants**

***2<sup>nd</sup> Great Lakes Restoration Initiative Nutrient Reduction Program***

The District has a grant agreement with Ohio Department of Agriculture for Implementation of the 2<sup>nd</sup> 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 \$721,220 and had grant related expenditures of \$771,710 related to this program in 2017.

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 8 – Grants (continued)**

***Western Lake Erie Basin Healthy Lake***

The District has a grant agreement with Ohio Department of Agriculture for Western Lake Erie Basin Healthy Lake for the purposes of targeting reduction of phosphorus and other agricultural nutrients into the waters of the Western Lake Erie Basin. The District received grant monies of \$287,579 in 2016 and had grant related expenditures of \$91,219 related to this program in 2017.

**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.

**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, 2016*

	District Fund	Special Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Grants			
Local Government		\$ 116,000	\$ 116,000
State Government	\$ 676,778	87,656	764,434
Charges for Services	37,289	92,316	129,605
Sale of Products/Materials	7,048		7,048
Rentals	611	9,377	9,988
Farm Harvest Income	19,868		19,868
All Other Revenue	14,155		14,155
<i>Total Cash Receipts</i>	<u>755,749</u>	<u>305,349</u>	<u>1,061,098</u>
<b>Cash Disbursements</b>			
Salaries		228,814	228,814
Supplies	2,773	2,683	5,456
Equipment	304		304
Contract Repairs	3,287	110	3,397
Contract Services/Cost Share Payment	2,098	8,196	10,294
Rentals	180	28,000	28,180
Service Fees	1,202	215	1,417
Information and Education	3,845		3,845
Travel and Expenses	188	177	365
Advertising and Printing	831		831
OPERS		31,755	31,755
Worker's Compensation		2,109	2,109
Hospitalization		27,087	27,087
Medicare		2,600	2,600
Product/Materials for Resale	668		668
Vehicle Rental/Liability Insurance		2,253	2,253
West Lake Erie Basin - Nutrient Reduction Program	11,312		11,312
Lake Erie - Nutrient Reduction Program	59,910		59,910
Great Lakes Restoration Initiative - Nutrient Reduction Program	418,543		418,543
2nd Great Lakes Restoration Initiative - Nutrient Reduction Program	6,404		6,404
Lake Erie - Conservation Reserve Enhancement Program	11,882		11,882
West Lake Erie Basin - Healthy Lake	119,393		119,393
Other	28,279	114	28,393
<i>Total Cash Disbursements</i>	<u>671,099</u>	<u>334,113</u>	<u>1,005,212</u>
<i>Net Change in Fund Cash Balances</i>	84,650	(28,764)	55,886
<i>Fund Cash Balances, January 1</i>	<u>512,969</u>	<u>135,299</u>	<u>648,268</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	371,792		371,792
Unassigned	225,827	106,535	332,362
<i>Fund Cash Balances, December 31</i>	<u>\$ 597,619</u>	<u>\$ 106,535</u>	<u>\$ 704,154</u>

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

# Henry Soil and Water Conservation District

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

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

The District participates in the County 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 provide 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***

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### ***Fund Accounting***

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### ***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, 2016

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

#### ***Budgetary Process***

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

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

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

A summary of 2016 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 Treasurer, Kevin Garringer at [auditor@henrycountyohio.com](mailto:auditor@henrycountyohio.com).

The District's accounting basis for the District Fund includes deposits as assets.

#### ***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, 2016*

---

**Note 2 – Summary of Significant Accounting Policies (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*. 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.

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	\$440,000	\$305,349	(\$134,651)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$440,000	\$334,113	\$105,887

**Note 4 – Deposits**

The District maintains a deposit pool for the District Fund. The Henry County Treasurer maintains a deposit and investments pool for the Special Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	2016 \$597,619
County Treasurer Deposits	106,535
Total deposits	\$704,154

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 4 – Deposits (continued)**

*Deposits*

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 5 – Risk Management**

*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:

	<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 (pool limit)	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.

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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

***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.

**Note 6 – Defined Benefit Pension Plans**

***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.

**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 – Grants**

***Great Lakes 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 and had grant related expenditures of \$418,543 related to this program in 2016.

**Henry Soil and Water Conservation District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 8 – Grants (continued)**

***Western Lake Erie Basin Healthy Lake***

The District has a grant agreement with Ohio Department of Agriculture for Western Lake Erie Basin Healthy Lake for the purposes of targeting reduction of phosphorus and other agricultural nutrients into the waters of the Western Lake Erie Basin. The District received grant monies of \$287,579 and had grant related expenditures of \$119,393 related to this program in 2016.

***Lake Erie Nutrient Reduction Program***

The District has a grant agreement with Ohio Department 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 \$185,000 in 2015 and had grant related expenditures of \$59,910 related to this program in 2016.

**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.



# 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*

Henry Soil and Water Conservation District  
Henry County  
2260 N. 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 the Henry Soil and Water Conservation District, Henry 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 16, 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, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 16, 2018

**HENRY SOIL AND WATER CONSERVATION DISTRICT  
HENRY 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>
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**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:

- Special Fund Federal Government Grants receipts in the amount of \$7,502 were reclassified to Rentals receipts and Other Revenue receipts in the amount of \$98,478 were reclassified to Charges for Services receipts;
- District Fund Other Revenue receipts in the amount of \$899,289 were reclassified to State Government Grants, Charges for Services, and Local Government Grant receipts in the amounts of \$809,580, \$89,159, and \$550 respectively;
- Special and District Funds assigned balances in the amounts of \$83,325 and \$11,998, respectively, were reclassified to unassigned fund balance in accordance with the requirements of GASB 54, codified as GASB Cod 1800.173 - .177.

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

- Special Fund Federal Government Grants receipts in the amount of \$9,377 were reclassified to Rentals receipts and Other Revenue receipts in the amount of \$92,316 were reclassified to Charges for Services receipts;
- District Fund Other Revenue receipts in the amount of \$714,067 were reclassified to State Government Grants and Charges for Services receipts in the amounts of \$676,778 and \$37,289 respectively;
- Special and District Funds assigned balances in the amounts of \$106,535 and \$38,045, respectively, were reclassified to unassigned fund balance in accordance with the requirements of GASB 54, codified as GASB Cod 1800.173 - .177.

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 reflect these errors. Failing to prepare accurate financial statements could lead to the Board or financial statement user to make misinformed decisions.

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 Administrator.

**Officials' Response:**

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





# Dave Yost • Auditor of State

HENRY SOIL AND WATER CONSERVATION DISTRICT

HENRY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 29, 2018