



**KNOX SOIL AND WATER CONSERVATION DISTRICT  
KNOX COUNTY  
Regular Audit  
For the Years Ended December 31, 2019 and 2018**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., #300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., #300  
Cambridge, OH 43725  
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OHIO AUDITOR OF STATE  
KEITH FABER



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District Board of Supervisors  
Knox Soil and Water Conservation District  
160 Columbus Rd  
Mount Vernon, OH 43050

We have reviewed the *Independent Auditor's Report* of the Knox Soil and Water Conservation District, Knox County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Knox Soil and Water Conservation District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

June 17, 2020

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**KNOX SOIL AND WATER CONSERVATION DISTRICT  
KNOX COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

May 20, 2020

Knox Soil and Water Conservation District  
Knox County  
160 Columbus Road  
Mount Vernon, Ohio 43050

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 **Knox Soil and Water Conservation District**, Knox County, (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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 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 the Knox Soil and Water Conservation District, Knox County 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, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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

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



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**KNOX SOIL AND WATER CONSERVATION DISTRICT  
KNOX COUNTY**

**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)
<b>Cash Receipts</b>			
Grants			
Local Government	\$ -	\$ 170,000	\$ 170,000
State Government	-	135,649	135,649
Federal Government	-	17,500	17,500
Gifts and Contributions	2,250	-	2,250
Sale of Products/Materials	11,111	-	11,111
Rentals	11,007	-	11,007
All Other Revenue	82,266	21,308	103,574
<i>Total Cash Receipts</i>	<u>106,634</u>	<u>344,457</u>	<u>451,091</u>
<b>Cash Disbursements</b>			
Salaries	-	246,926	246,926
Supplies	1,094	3,396	4,490
Equipment	-	874	874
Contract Repairs	1,014	-	1,014
Contract Services/Cost Share Payment	3,325	1,037	4,362
Service Fees	-	4,415	4,415
Information and Education	13,120	-	13,120
Travel and Expenses	969	2,619	3,588
Advertising and Printing	-	5,785	5,785
OPERS	-	34,099	34,099
Worker's Compensation	-	2,747	2,747
Unemployment Compensation	-	3,399	3,399
Hospitalization	-	62,507	62,507
Product/Materials for Resale	10,839	-	10,839
Other	5,574	9,248	14,822
<i>Total Cash Disbursements</i>	<u>35,935</u>	<u>377,052</u>	<u>412,987</u>
<i>Net Change in Fund Cash Balances</i>	70,699	(32,595)	38,104
<i>Fund Cash Balances, January 1</i>	<u>192,536</u>	<u>250,534</u>	<u>443,070</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	13,387	-	13,387
Committed	13,553	-	13,553
Assigned	-	12,416	12,416
Unassigned	236,295	205,523	441,818
<i>Fund Cash Balances, December 31</i>	<u>\$ 263,235</u>	<u>\$ 217,939</u>	<u>\$ 481,174</u>

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**

*KNOX COUNTY*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

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

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The District participates in a joint venture and a public entity risk pool. Notes 5 and 9 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 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.

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

***Budgetary Process (Continued)***

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

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

A summary of 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

The Knox 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 Knox County.

*Knox County Treasurer- Shelly Coon- 117 East High Street, Mount Vernon*

*Knox County Auditor- Jonette Curry- 117 East High Street, Mount Vernon*

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.

The following local banking institutions were approved by the KSWCD Board to hold funds from the SWCD District fund in 2019 (see note 4 for deposit balances):

Huntington Bank- Mount Vernon (Business Checking/Savings/Certificate of Deposit)

Star Ohio- Columbus (Certificate of Deposit)

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

***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.

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
**KNOX COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

**Fund Balance (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 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 316,825	\$ 344,457	\$ 27,632

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$ 391,975	\$ 382,210	\$ 9,765

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

	2019
Demand deposits	\$ 48,686
Certificates of deposit	88,972
Other time deposits (savings and NOW accounts)	122,103
County Treasurer Deposits	217,939
Total deposits	477,700
Investments	
STAR Ohio	3,424
Total investments	3,424
Change Fund	50
Total deposits and investments	\$ 481,174

***Deposits***

Huntington Bank- Mount Vernon

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.

Deposit Amounts: For the period commencing on 11/27/2017 and through 12/31/2022, the Public Entity designates Huntington as an approved depository and Huntington will accept for deposit the following:

A. Active Deposits: Up to the maximum sum of	\$300,000
B. Interim Deposits: Up to the maximum sum of	\$300,000
C. Inactive Deposits: Up to the maximum sum of	
D. Total sum of Active, Interim and Inactive Deposits not to exceed	\$600,000

***Investments***

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**

*KNOX COUNTY*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**Note 5 – Risk Management**

***Workers' Compensation***

The Knox SWCD is covered by the Workers Compensation program as administered by Knox County described as follows:

The County participates in the Workers' Compensation program provided by the State of Ohio. The County belongs to a pool with 50 other Ohio counties (County Commissioners Association of Ohio) for a workers' compensation group rating program. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. A group executive committee consists of seven members and is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing fees, and determining eligibility of each participant.

***Risk Pool Membership***

The Knox SWCD pays premiums to Knox County and is covered under their umbrella as a member of the County Risk Sharing Authority, Inc. (CORSA) is a public entity risk sharing pool among sixty-six counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine board of directors. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

The County is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

General Liability \$1,000,000  
Auto Liability 1,000,000  
Law Enforcement Liability 1,000,000  
Public Officials Errors and Omissions Liability 1,000,000  
Property Replacement  
Valuable Papers Replacement  
Extra Expense Cost  
Electronic Data Processing Replacement  
Contractors Equipment Cost  
Miscellaneous Inland Marine Replacement  
Motortruck Cargo Cost  
Flood and Earthquake 100,000  
Auto Physical Damage Replacement  
Automatic Acquisition Cost Value  
Crime 1,000,000  
Boiler and Machinery 5,000,000

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

***Risk Pool Membership (Continued)***

With the exception of health insurance, workers' compensation, and all elected officials bonds, all insurance is held with CORSA.

***Medical***

The KSWCD has elected to provide employee medical/surgical and dental benefits through the program offered by Knox County. Premium shares, both employer and employee are paid directly to Knox County. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The liability for unpaid claims costs is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is based on an estimate provided by the third party administrator. Information on claim costs, plan assets and liabilities is available directly from the Knox County Auditor at 117 East High Street, Mount Vernon, Ohio.

**Note 6 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description - County employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Five 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.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

**Note 8 – 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 9 – Joint Ventures**

***ONMRK Joint Venture***

The Knox SWCD is a party to the Ohio Nutrient Management Record Keeper “ONMRK” Joint Venture. There are two parties to the agreement, Knox SWCD and Knox County Farm Bureau (KCFB), an Ohio non-profit corporation with its principal place of business at 1625A Sharon Ave., Zanesville. Each organization contributes to the governance of the ONMRK venture by appointing 2 representatives to the ONMRK Board; further representatives to the ONMRK Board (3-5) are selected by those representatives. The treasury for ONMRK is held by Knox County Farm Bureau.

The Knox SWCD committed to supplying \$3,000 in start-up funds for the ONMRK venture and will be billed for the remaining available balance by KCFB at a later date. The SWCD credits expenses directly attributed to the joint venture project against the balance. In 2019 the total charges against the account were \$143 for domain name renewal/security certificate. The amount has been approved by the SWCD Board as an expense from the SWCD District Fund and shall be recorded as such at the time an invoice is provided. According to the Joint Venture Agreement for ONMRK- “Neither party shall be required to make additional financial contributions unless approved by such party’s governing board. The Joint Venture shall seek contributions from other sources to defray expenses and finance the continued development of ONMRK”.



**KNOX SOIL AND WATER CONSERVATION DISTRICT**

*KNOX COUNTY*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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**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 ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**KNOX SOIL AND WATER CONSERVATION DISTRICT  
KNOX COUNTY**

**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)
<b>Cash Receipts</b>			
Grants			
Local Government	\$ -	\$ 188,500	\$ 188,500
State Government	-	131,544	131,544
Federal Government	-	17,500	17,500
Gifts and Contributions	2,750	-	2,750
Sale of Products/Materials	11,180	-	11,180
Rentals	15,350	-	15,350
All Other Revenue	80,978	38,045	119,023
<i>Total Cash Receipts</i>	<u>110,258</u>	<u>375,589</u>	<u>485,847</u>
<b>Cash Disbursements</b>			
Salaries	1,250	236,187	237,437
Supplies	1,351	2,698	4,049
Equipment	1,583	727	2,310
Contract Repairs	708	-	708
Contract Services/Cost Share Payment	67,147	3,013	70,160
Service Fees	-	2,483	2,483
Information and Education	11,846	-	11,846
Travel and Expenses	1,616	4,240	5,856
Advertising and Printing	-	6,387	6,387
OPERS	-	34,286	34,286
Worker's Compensation	-	5,600	5,600
Unemployment Compensation	-	3,247	3,247
Hospitalization	-	62,650	62,650
Product/Materials for Resale	9,477	-	9,477
Other	3,278	9,968	13,246
<i>Total Cash Disbursements</i>	<u>98,256</u>	<u>371,486</u>	<u>469,742</u>
<i>Net Change in Fund Cash Balances</i>	12,002	4,103	16,105
<i>Fund Cash Balances, January 1</i>	<u>180,534</u>	<u>246,431</u>	<u>426,965</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	13,387	-	13,387
Committed	11,408	-	11,408
Assigned	-	72,737	72,737
Unassigned	167,741	177,797	345,538
<i>Fund Cash Balances, December 31</i>	<u>\$ 192,536</u>	<u>\$ 250,534</u>	<u>\$ 443,070</u>

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**

*KNOX COUNTY*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The District participates in a jointly governed organization, a joint venture, and a public entity risk pool. Notes 5, 9 and 11 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 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.

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

***Budgetary Process (Continued)***

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

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Knox 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 Knox County.

*Knox County Treasurer- Shelly Coon- 117 East High Street, Mount Vernon*  
*Knox County Auditor- Jonette Curry- 117 East High Street, Mount Vernon*

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.

The following local banking institutions were approved by the KSWCD Board to hold funds from the SWCD District fund in 2018 (see note 4 for deposit balances):

Huntington Bank- Mount Vernon (Business Checking/Savings/Certificate of Deposit)  
Star Ohio- Columbus (Certificate of Deposit)

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

***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.

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
**KNOX COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

**Fund Balance (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 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 333,359	\$ 375,589	\$ 42,230

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$ 381,577	\$ 373,899	\$ 7,678

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

	2018
Demand deposits	\$ 41,730
Certificates of deposit	86,798
Other time deposits (savings and NOW accounts)	60,613
County Treasurer Deposits	250,534
Total deposits	439,675
Investments	
STAR Ohio	3,345
Total investments	3,345
Change Fund	50
Total deposits and investments	\$ 443,070

***Deposits***

Huntington Bank- Mount Vernon

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.

Deposit Amounts: For the period commencing on 11/27/2017 and through 12/31/2022, the Public Entity designates Huntington as an approved depository and Huntington will accept for deposit the following:

A. Active Deposits: Up to the maximum sum of	\$300,000
B. Interim Deposits: Up to the maximum sum of	\$300,000
C. Inactive Deposits: Up to the maximum sum of	
D. Total sum of Active, Interim and Inactive Deposits not to exceed	\$600,000

***Investments***

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

**KNOX SOIL AND WATER CONSERVATION DISTRICT**

*KNOX COUNTY*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 5 – Risk Management**

***Workers' Compensation***

The Knox SWCD is covered by the Workers Compensation program as administered by Knox County described as follows:

The County participates in the Workers' Compensation program provided by the State of Ohio. The County belongs to a pool with 50 other Ohio counties (County Commissioners Association of Ohio) for a workers' compensation group rating program. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. A group executive committee consists of seven members and is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing fees, and determining eligibility of each participant.

***Risk Pool Membership***

The Knox SWCD pays premiums to Knox County and is covered under their umbrella as a member of the County Risk Sharing Authority, Inc. (CORSA) is a public entity risk sharing pool among sixty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine board of directors. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

The County is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

General Liability \$1,000,000  
Auto Liability 1,000,000  
Law Enforcement Liability 1,000,000  
Public Officials Errors and Omissions Liability 1,000,000  
Property Replacement  
Valuable Papers Replacement  
Extra Expense Cost  
Electronic Data Processing Replacement  
Contractors Equipment Cost  
Miscellaneous Inland Marine Replacement  
Motortruck Cargo Cost  
Flood and Earthquake 100,000  
Auto Physical Damage Replacement  
Automatic Acquisition Cost Value  
Crime 1,000,000  
Boiler and Machinery 5,000,000

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

***Risk Pool Membership (Continued)***

With the exception of health insurance, workers' compensation, and all elected officials bonds, all insurance is held with CORSA.

***Medical***

The KSWCD has elected to provide employee medical/surgical and dental benefits through the program offered by Knox County. Premium shares, both employer and employee are paid directly to Knox County. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The liability for unpaid claims costs is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is based on an estimate provided by the third party administrator. Information on claim costs, plan assets and liabilities is available directly from the Knox County Auditor at 117 East High Street, Mount Vernon, Ohio.

**Note 6 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description - County employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Five 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.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>



**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

**Note 8 – 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 9 – Joint Ventures**

***ONMRK Joint Venture***

The Knox SWCD is a party to the Ohio Nutrient Management Record Keeper “ONMRK” Joint Venture. There are two parties to the agreement, Knox SWCD and Knox County Farm Bureau (KCFB), an Ohio non-profit corporation with its principal place of business at 1625A Sharon Ave., Zanesville. Each organization contributes to the governance of the ONMRK venture by appointing 2 representatives to the ONMRK Board; further representatives to the ONMRK Board (3-5) are selected by those representatives. The treasury for ONMRK is held by Knox County Farm Bureau.

The Knox SWCD committed to supplying \$3,000 in start-up funds for the ONMRK venture and will be billed for such by KCFB at a later date. The amount has been approved by the SWCD Board as an expense from the SWCD District Fund and shall be recorded as such at the time an invoice is provided. According to the Joint Venture Agreement for ONMRK- “Neither party shall be required to make additional financial contributions unless approved by such party’s governing board. The Joint Venture shall seek contributions from other sources to defray expenses and finance the continued development of ONMRK”.

**KNOX SOIL AND WATER CONSERVATION DISTRICT**  
*KNOX COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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 ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 11 – Jointly Governed Organizations**

***Muskingum River Watershed Joint Board of Supervisors***

The 20 county Joint Board approved by the Ohio Soil and Water Conservation Commission in April 2010 is formed to facilitate the trading of water quality nutrient credits within the Muskingum River Watershed. The project involves the following Soil and Water Conservation Districts: Ashland, Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Knox, Licking, Morgan, Muskingum, Noble, Perry, Portage, Richland, Stark, Summit, Tuscarawas, Washington, and Wayne. Trade agreements allow SWCD's to provide landowners with financial incentives and technical assistance to put conservation practices on the land that provide water quality improvements throughout non-point source reductions. The Muskingum River Watershed Joint SWCD Board was dissolved in 2018.

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

May 20, 2020

Knox Soil and Water Conservation District  
Knox County  
160 Columbus Road  
Mount Vernon, Ohio 43050

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

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***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 communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

# OHIO AUDITOR OF STATE KEITH FABER



**KNOX SOIL AND WATER CONSERVATION DISTRICT**

**KNOX 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  
JUNE 30, 2020**