

***MONTGOMERY COUNTY SOIL AND WATER  
CONSERVATION DISTRICT***

***MONTGOMERY COUNTY, OHIO***

**REGULAR AUDIT**

**For the Years Ended December 31, 2019 and 2018**







88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Supervisors  
Montgomery County Soil and Water Conservation District  
10025 Amity Road  
Brookeville, Ohio 45309

We have reviewed the *Independent Auditor's Report* of the Montgomery County Soil and Water Conservation District, Montgomery County, prepared by Charles E. Harris & Associates, Inc., 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 Montgomery County Soil and Water Conservation District is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

October 22, 2020

**This page intentionally left blank.**

**MONTGOMERY COUNTY SOIL AND WATER CONSERVATION DISTRICT  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>Title</b>	<b>Page</b>
<b>Independent Auditor’s Report</b>	<b>1-2</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – For the Year Ended December 31, 2019</b>	<b>3</b>
<b>Notes to the Financial Statements- 2019</b>	<b>4-9</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – For the Year Ended December 31, 2018</b>	<b>10</b>
<b>Notes to the Financial Statements - 2018</b>	<b>11-16</b>
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	<b>17-18</b>
<b>Schedule of Findings</b>	<b>19</b>
<b>Prepared by Management:</b>	
<b>Corrective Action Plan</b>	<b>20</b>

**This page intentionally left blank.**

**INDEPENDENT AUDITOR'S REPORT**

Montgomery County Soil and Water Conservation District  
Montgomery County  
10025 Amity Road  
Brookville, Ohio 45309

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. *Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund, and related notes of the Montgomery County Soil and Water Conservation District, Montgomery County, Ohio as of and for the years ended December 31, 2019 and 2018, in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

***Emphasis of Matter***

As discussed in Note 10 to the 2019 financial statements, 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 July 29, 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.



**Charles E. Harris & Associates, Inc.**  
July 29, 2020



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

	District Fund	Special Fund	Other Funds	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Grants				
Local Government	\$ -	\$ 281,387	\$ -	281,387
State Government	-	235,249	-	235,249
Gifts and Contributions	2,925	-	-	2,925
Sale of Products/Materials	22,387	-	-	22,387
Rentals	54,497	-	31,128	85,625
All Other Revenue	4,506	-	103	4,609
<i>Total Cash Receipts</i>	<u>84,315</u>	<u>516,636</u>	<u>31,231</u>	<u>632,182</u>
<b>Cash Disbursements</b>				
Salaries	-	297,954	-	297,954
Supplies	9,842	17,171	2,598	29,611
Equipment	28,675	32,817	-	61,492
Contract Repairs	3,836	11,212	25,693	40,741
Contract Services/Cost Share Payment	25,771	26,975	-	52,746
Service Fees	-	3,216	445	3,661
Information and Education	13,267	722	-	13,989
Travel and Expenses	162	2,196	-	2,358
Advertising and Printing	628	6,038	461	7,127
OPERS	-	41,714	-	41,714
Worker's Compensation	-	2,240	-	2,240
Hospitalization	-	70,662	-	70,662
Medicare	-	3,362	-	3,362
Vehicle Rental/Liability Insurance	-	11,023	-	11,023
Annual Meeting/Banquet	25	-	-	25
Other	5,667	249	5,760	11,676
<i>Total Cash Disbursements</i>	<u>87,873</u>	<u>527,551</u>	<u>34,957</u>	<u>650,381</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,558)	(10,915)	(3,726)	(18,199)
<i>Fund Cash Balances, January 1</i>	<u>331,799</u>	<u>412,501</u>	<u>96,188</u>	<u>840,488</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	2,206	-	92,462	94,668
Unassigned	326,035	401,586	-	727,621
<i>Fund Cash Balances, December 31</i>	<u>\$ 328,241</u>	<u>\$ 401,586</u>	<u>\$ 92,462</u>	<u>\$ 822,289</u>

See accompanying notes to the financial statements

# Montgomery Soil and Water Conservation District

Montgomery County

Notes to the Financial Statements

For the Year Ended December 31, 2019

---

## Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Montgomery Soil and Water Conservation District, Montgomery 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 The District provides local leadership in the conservation of natural resources and stewardship of urban and agricultural lands through education, technical assistance and leadership. The District receives local and state appropriations to provide serviced that address local resource concerns.

### *Jointly Governed Organization*

The District participates in a jointly governed organization. The Wylie Joint Board of Supervisors. Note 9 to the financial statements provides additional information for this entity.

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

## Note 2 – Summary of Significant Accounting Policies

### *Basis of Presentation*

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

### *Fund Accounting*

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

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

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

***Other Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District had the following significant Other Funds:

**Sycamore Fund** – The District has a long term lease on part of Sycamore State Park designated as Sycamore Conservation Education Farm. In the lease agreement it is stipulated that all income from Sycamore Farm must be used on Sycamore Farm. The District maintains the buildings on the Farm and the Conservation Practices that have been installed on the Farm. The District currently is leasing the farmland to a local farmer. Sycamore Farm is often the location for educational programs.

**Montgomery Soil and Water Conservation District**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

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

***Fund Accounting***

**Drainage Fund** – The District has assisted Montgomery County landowners in the re-construction of over 25 group drainage projects over the last 30+ years. The Drainage Fund is the repository of deposits provided by landowners when a new drainage project has been approved. The District also maintains all the drainage projects that have been re-constructed. The Drainage Fund may be used to cover maintenance expenses such as herbicides or grass seed until it can be billed to the projects it is used on.

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

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

A summary of 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

The Montgomery 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 Montgomery County Treasurer, Russell M. Joseph, 937-225-4010 located at the Montgomery County Administration Building, 451 W. Third St., Dayton, Ohio 45422

***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. The District owns 5.55 acres with a 6,000 square foot office building and a pole barn/garage located on it with a value of \$372,390.

**Montgomery Soil and Water Conservation District**

*Montgomery County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

---

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

***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.

***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. The Board may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the Special Fund.

***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.

**Montgomery Soil and Water Conservation District**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**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	\$531,935	\$516,636	(\$15,299)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund	Appropriation Authority	Budgetary Disbursements	Variance
Special	\$557,477	\$527,551	\$29,926

**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use, except the Special Fund which is maintained by the Montgomery 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	\$351,940
Certificates of deposit	61,630
Other time deposits (savings and NOW accounts)	7,133
County Treasurer Deposits	401,586
Total deposits	\$822,289

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The County is responsible for properly collateralizing any deposits in the County Treasury.

## Montgomery Soil and Water Conservation District

*Montgomery County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

---

### **Note 5 – Risk Management**

Montgomery County accounts for its risk management activities in Internal Service Funds which also finance its uninsured risks of loss. Under these programs the Internal Service Funds provided coverage for up to a maximum of \$800,000 for each workers' compensation claim. During 2015, the fund coverage maximum for workers' compensation claims increased from \$700,000 per claim to \$800,000. For the workers' compensation programs, the County purchases commercial insurance for claims in excess of coverage provided by the Fund. For the workers' compensation program, the County has paid premiums to the State Bureau of Workers Compensation for claims, applicable to periods prior to July 1, 2010, in excess of coverage provided by the Fund. In addition, the Fund pays assessments to the Bureau of Workers' Compensation for ongoing administration and payment of these claims. Workers' compensation claims applicable to all periods on or after July 1, 2010 are solely administered and paid by the County. Settled claims for all of the County's insurance programs have not exceeded commercial coverage in any of the past three years.

#### ***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

There has been no significant reduction in insurance coverage from 2018 and settled claims have not exceeded this coverage in the past three years.

### **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, 2019.

## Montgomery Soil and Water Conservation District

Montgomery County

Notes to the Financial Statements

For the Year Ended December 31, 2019

---

### **Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and 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.

### **Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor.

### **Note 9 – Jointly Governed Organizations**

The Wylie Joint Board of Supervisors is made up of two Supervisors from the Montgomery Soil and Water Conservation District and one from the Preble Soil and Water Conservation District. This Joint Board was formed in 2014. They have the responsibility to implement the Conservation Works of Improvement designated as the Wylie Joint County Group Drainage Project. Approximately 90% of the land in the watershed lies in Montgomery County and 10% in Preble County. The project has been funded with OPWC SCIP funds and will also be funded by landowner assessments. Construction was completed in 2018. The Montgomery SWCD administered the funds (held at Montgomery County in a construction fund for the Wylie Project) and monitored the construction of the project. The Montgomery SWCD is in the process of submitting the final Request for Disbursement to the OPWC and will then calculate landowner construction assessments. Once the landowner's assessments are collected, or if collected, amortized with interest for 15 years and placed on their property taxes, the construction fund will be closed out. The Montgomery SWCD will continue to be responsible for the maintenance of this project in perpetuity. Landowners will be assessed for maintenance expenses and these funds will be held in a maintenance fund for the Wylie Project at Montgomery County.

### **Note 10 – Subsequent Event**

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 District's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

	District Fund	Special Fund	Other Funds	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Grants				
Local Government	\$ -	\$ 202,715	\$ -	\$ 202,715
State Government	-	222,901	-	222,901
Sale of Products/Materials	14,596	-	-	14,596
Rentals	54,129	-	31,129	85,258
Gifts and Contributions	1,472	-	-	1,472
All Other Revenue	2,092	2,320	8,402	12,814
<i>Total Cash Receipts</i>	<u>72,289</u>	<u>427,936</u>	<u>39,531</u>	<u>539,756</u>
<b>Cash Disbursements</b>				
Salaries	-	267,013	-	267,013
Supplies	1,369	12,224	383	13,976
Equipment	7,094	6,833	-	13,927
Contract Repairs	13,401	10,917	12,356	36,674
Contract Services/Cost Share Payment	5,493	16,996	323	22,812
Rentals	-	-	607	607
Service Fees	821	3,073	-	3,894
Information and Education	6,839	-	285	7,124
Travel and Expenses	1,595	2,557	-	4,152
Advertising and Printing	100	5,346	-	5,446
OPERS	-	37,382	-	37,382
Worker's Compensation	-	2,980	-	2,980
Hospitalization	-	72,668	-	72,668
Medicare	-	2,899	-	2,899
Product/Materials for Resale	9,279	-	-	9,279
Vehicle Rental/Liability Insurance	-	11,249	-	11,249
Other	8,534	229	3,948	12,711
<i>Total Cash Disbursements</i>	<u>54,525</u>	<u>452,366</u>	<u>17,902</u>	<u>524,793</u>
<i>Net Change in Fund Cash Balances</i>	17,764	(24,430)	21,629	14,963
<i>Fund Cash Balances, January 1</i>	<u>314,035</u>	<u>436,931</u>	<u>74,559</u>	<u>825,525</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	2,206	-	96,188	98,394
Assigned	-	25,542	-	25,542
Unassigned	329,593	386,959	-	716,552
<i>Fund Cash Balances, December 31</i>	<u>\$ 331,799</u>	<u>\$ 412,501</u>	<u>\$ 96,188</u>	<u>\$ 840,488</u>

See accompanying notes to the financial statements



## Montgomery Soil and Water Conservation District

Montgomery County

Notes to the Financial Statements

For the Year Ended December 31, 2018

---

### Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Montgomery Soil and Water Conservation District, Montgomery 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 The District provides local leadership in the conservation of natural resources and stewardship of urban and agricultural lands through education, technical assistance and leadership. The District receives local and state appropriations to provide serviced that address local resource concerns.

#### *Jointly Governed Organizations*

The District participates in a jointly governed organization. The Wylie Joint Board of Supervisors. Note 9 to the financial statements provides additional information for this entity.

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

### Note 2 – Summary of Significant Accounting Policies

#### *Basis of Presentation*

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

#### *Fund Accounting*

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

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

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

***Other Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District had the following significant Other Funds:

**Sycamore Fund** – The District has a long term lease on part of Sycamore State Park designated as Sycamore Conservation Education Farm. In the lease agreement it is stipulated that all income from Sycamore Farm must be used on Sycamore Farm. The District maintains the buildings on the Farm and the Conservation Practices that have been installed on the Farm. The District currently is leasing the farmland to a local farmer. Sycamore Farm is often the location for educational programs.

**Montgomery Soil and Water Conservation District**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

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

***Fund Accounting***

**Drainage Fund** – The District has assisted Montgomery County landowners in the re-construction of over 25 group drainage projects over the last 30+ years. The Drainage Fund is the repository of deposits provided by landowners when a new drainage project has been approved. The District also maintains all the drainage projects that have been re-constructed. The Drainage Fund may be used to cover maintenance expenses such as herbicides or grass seed until it can be billed to the projects it is used on.

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

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Montgomery 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 Montgomery County Treasurer, Russell M. Joseph, 937-225-4010 located at the Montgomery County Administration Building, 451 W. Third St., Dayton, Ohio 45422

***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. The District owns 5.55 acres with a 6,000 square foot office building and a pole barn/garage located on it with a value of \$372,390.

**Montgomery Soil and Water Conservation District**

*Montgomery County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

---

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

***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.

***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. The Board may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the Special Fund.

***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.

**Montgomery Soil and Water Conservation District**  
*Montgomery County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**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	\$510,095	\$427,936	(\$82,159)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund	Appropriation Authority	Budgetary Disbursements	Variance
Special	\$503,338	\$452,366	\$50,972

**Note 4 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use, except the Special Fund which is maintained by the Montgomery 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	\$359,852
Certificates of deposit	61,016
Other time deposits (savings and NOW accounts)	7,119
County Treasurer Deposits	412,501
Total deposits	\$840,488

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The County is responsible for properly collateralizing any deposits in the County Treasury.

## Montgomery Soil and Water Conservation District

*Montgomery County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

---

### **Note 5 – Risk Management**

Montgomery County accounts for its risk management activities in Internal Service Funds which also finance its uninsured risks of loss. Under these programs the Internal Service Funds provided coverage for up to a maximum of \$800,000 for each workers' compensation claim. During 2015, the fund coverage maximum for workers' compensation claims increased from \$700,000 per claim to \$800,000. For the workers' compensation programs, the County purchases commercial insurance for claims in excess of coverage provided by the Fund. For the workers' compensation program, the County has paid premiums to the State Bureau of Workers Compensation for claims, applicable to periods prior to July 1, 2010, in excess of coverage provided by the Fund. In addition, the Fund pays assessments to the Bureau of Workers' Compensation for ongoing administration and payment of these claims. Workers' compensation claims applicable to all periods on or after July 1, 2010 are solely administered and paid by the County. Settled claims for all of the County's insurance programs have not exceeded commercial coverage in any of the past three years.

#### ***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

There has been no significant reduction in insurance coverage from 2017 and settled claims have not exceeded this coverage in the past three years.

### **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, 2018.

## **Montgomery Soil and Water Conservation District**

*Montgomery County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

---

### **Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and 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.

### **Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor.

### **Note 9 – Jointly Governed Organizations**

The Wylie Joint Board of Supervisors is made up of two Supervisors from the Montgomery Soil and Water Conservation District and one from the Preble Soil and Water Conservation District. This Joint Board was formed in 2014. They have the responsibility to implement the Conservation Works of Improvement designated as the Wylie Joint County Group Drainage Project. Approximately 90% of the land in the watershed lies in Montgomery County and 10% in Preble County. The project has been funded with OPWC SCIP funds and will also be funded by landowner assessments. Construction was completed in 2018. The Montgomery SWCD administered the funds (held at Montgomery County in a construction fund for the Wylie Project) and monitored the construction of the project. The Montgomery SWCD is in the process of submitting the final Request for Disbursement to the OPWC and will then calculate landowner construction assessments. Once the landowner's assessments are collected, or if collected, amortized with interest for 15 years and placed on their property taxes, the construction fund will be closed out. The Montgomery SWCD will continue to be responsible for the maintenance of this project in perpetuity. Landowners will be assessed for maintenance expenses and these funds will be held in a maintenance fund for the Wylie Project at Montgomery County.

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

Montgomery County Soil and Water Conservation District  
Montgomery County  
10025 Amity Road  
Brookville, Ohio 45309

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 Montgomery County Soil and Water Conservation District, Montgomery 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 July 29, 2020, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider material weakness. We consider finding 2019-001 to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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*.

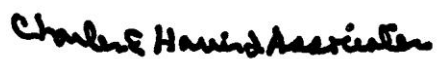
We also noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 29, 2020.

#### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



**Charles E. Harris & Associates, Inc.**

July 29, 2020



**MONTGOMERY COUNTY SOIL AND WATER CONSERVATION DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-001**

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Department of Agriculture. Fund balances should be posted properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54.

During 2019 and 2018, receipts, disbursements and fund balances were not always posted or reported correctly. The following errors were noted:

- Beginning balances were not included in the Hinkle Filing so the ending fund balances did not match the cash balances in the District records or the notes to the financial statements;
- There were several additional expenditure line items on the Hinkle Filings for both years, which are not part of the financial statement template issued by the Auditor of State.
- In 2018, the excess of subsequent year appropriations that exceeded estimated receipts should have been booked as Assigned fund balance but was booked as Unassigned fund balance.

Also, during 2019 and 2018, aspects of the notes to the financial statements were corrected from the Hinkle filing to include all necessary note disclosures. We made corrections to the:

- Reporting Entity – Public Entity Risk Pool
- Deposit Disclosure
- Defined Benefit Pension Plans
- Contingent Liabilities

The financial statements and notes have been adjusted to present the accounting information correctly and the District has agreed with the required changes.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements and notes. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements. In addition, the review should ensure all required note disclosures are included in the notes to the financial statements.

Finally, we recommend the District use the most current available templates for financial statements and notes to the financial statements on the Auditor of State’s website to prepare an accurate annual financial report. The District can also use GASB Statement No. 54, Audit Bulletin 2011-004, and other guidance from the Ohio Department of Agriculture and the Auditor of State.

**Management’s Reponse:**

See Corrective Action Plan.

**This page intentionally left blank.**

**MONTGOMERY COUNTY SOIL AND WATER CONSERVATION DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2019-001	District Administrator will follow the guidance obtained during the current audit process to complete upcoming annual financial reports filed on the Hinkle System.	Immediately	Ed Everman District Director

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**MONTGOMERY COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 11/5/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)