

***GUERNSEY SOIL AND WATER
CONSERVATION DISTRICT***

GUERNSEY COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018





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Board of Supervisors
Guernsey County Soil and Water Conservation District
335C Old National Road
Old Washington, Ohio 43768

We have reviewed the *Independent Auditor's Report* of the Guernsey County Soil and Water Conservation District, Guernsey 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 Guernsey County Soil and Water Conservation District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2020

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**GUERNSEY SOIL AND WATER CONSERVATION DISTRICT
GUERNSEY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Guernsey Soil and Water Conservation District
Guernsey County
335C Old National Road
P.O. Box 310
Old Washington, Ohio 43768

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 Guernsey Soil and Water Conservation District, Guernsey 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 Guernsey Soil and Water Conservation District, Guernsey 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 9 to the financial statements, during 2019, 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 April 22, 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.
April 22, 2020

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

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Grants			
Local Government	\$ -	\$ 81,746	\$ 81,746
State Government	8,821	40,256	49,077
Sale of Products/Materials	5,555	-	5,555
Rentals	9,566	-	9,566
Royalty Income	120,567	-	120,567
Earnings on Investments	15,784	-	15,784
All Other Revenue	3,336	-	3,336
<i>Total Cash Receipts</i>	<u>163,629</u>	<u>122,002</u>	<u>285,631</u>
Cash Disbursements			
Salaries	-	113,784	113,784
Supplies	4,962	-	4,962
Equipment	29,273	-	29,273
Contract Repairs	2,549	-	2,549
Contract Services/Cost Share Payment	11,246	8,840	20,086
Rentals	-	18,000	18,000
Service Fees	33	-	33
Information and Education	100	-	100
Travel and Expenses	-	4,976	4,976
Advertising and Printing	1,498	-	1,498
OPERS	-	15,609	15,609
Hospitalization	-	29,788	29,788
Medicare	-	1,651	1,651
Product/Materials for Resale	4,553	-	4,553
Annual Meeting/Banquet	1,528	-	1,528
Other	27,407	-	27,407
<i>Total Cash Disbursements</i>	<u>83,149</u>	<u>192,648</u>	<u>275,797</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>80,480</u>	<u>(70,646)</u>	<u>9,834</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	77,000	77,000
Transfers Out	(77,000)	-	(77,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(77,000)</u>	<u>77,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	3,480	6,354	9,834
<i>Fund Cash Balances, January 1</i>	<u>993,768</u>	<u>17,961</u>	<u>1,011,729</u>
Fund Cash Balances, December 31			
Restricted	23,129	-	23,129
Unassigned	974,119	24,315	998,434
<i>Fund Cash Balances, December 31</i>	<u>\$ 997,248</u>	<u>\$ 24,315</u>	<u>\$ 1,021,563</u>

See accompanying notes to the financial statements

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

Public Entity Risk Pool

The District participates in the County Risk Sharing Authority of Ohio (CORSA), a public entity risk pool. Note 5 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 (regulatory cash basis) for all funds.

Fund Accounting

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

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

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

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Guernsey 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 Guernsey County Auditor. *Guernsey County Auditor, Tony Brown, 627 Wheeling Avenue Suite 301, Cambridge, Ohio 43725 (740-432-9243)*

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.

For the District Fund, the District values U.S. Treasury Notes and common stock at cost. 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.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Special Fund Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 199,002	\$ 199,002	\$ -

2019 Budgeted vs Actual Budgetary Basis Disbursements			
Fund	Appropriation Authority	Budgetary Disbursements	Variance
Special	\$ 199,002	\$ 192,648	\$ 6,354

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

Note 4 – Deposits

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

	<u>2019</u>
Demand Deposits	\$ 70,898
Certificates of Deposit	586,649
Other Time Deposits (Savings and NOW Accounts	339,701
County Treasurer Deposits	<u>24,315</u>
Total Deposits	<u>\$1,021,563</u>

Deposits

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

Note 5 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to sixty members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$1,000,000 of total liability coverage for each loss. Each of these areas contains a \$2,500 member deductible amount. Property damage is covered for \$80,918,438, equipment breakdown coverage is covered for \$100,000,000 and crime insurance is covered for \$1,000,000 for each occurrence.

In addition, the County maintains replacement cost insurance through CORSA on other property including the following: \$1,000,000 for valuable papers and extra expenses, \$250,000,000 for unintentional omissions, \$1,000,000,000 for flood and earthquake damage, and \$1,000,000,000 for debris removal. Contractor's equipment, miscellaneous inland marine, and auto physical damage are insured for their actual cash value under CORSA.

The amounts of settlements have not exceeded commercial coverage in any of the past three years. Also, the limits have not been lowered significantly in the past year.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

Note 7 – Postemployment Benefits

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

Note 8 – Contingent Liabilities

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

Note 9 – 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. 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.

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

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Local Government	\$ -	\$ 80,143	\$ 80,143
State Government	-	61,904	61,904
Sale of Products/Materials	10,209	-	10,209
Rentals	6,735	-	6,735
Farm Harvest Income	137,064	-	137,064
Earnings on Investments	8,226	-	8,226
All Other Revenue	1,834	-	1,834
<i>Total Cash Receipts</i>	<u>164,068</u>	<u>142,047</u>	<u>306,115</u>
Cash Disbursements			
Salaries	-	92,784	92,784
Supplies	4,586	-	4,586
Equipment	13,503	-	13,503
Contract Repairs	3,549	-	3,549
Contract Services/Cost Share Payment	27,170	7,795	34,965
Rentals	-	18,791	18,791
Service Fees	128	-	128
Information and Education	713	-	713
Travel and Expenses	-	6,909	6,909
Advertising and Printing	673	226	899
OPERS	-	12,990	12,990
Hospitalization	-	23,886	23,886
Medicare	-	1,345	1,345
Product/Materials for Resale	6,673	-	6,673
Annual Meeting/Banquet	2,736	-	2,736
Other	16,477	-	16,477
<i>Total Cash Disbursements</i>	<u>76,208</u>	<u>164,726</u>	<u>240,934</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>87,860</u>	<u>(22,679)</u>	<u>65,181</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	30,000	30,000
Transfers Out	(30,000)	-	(30,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	57,860	7,321	65,181
<i>Fund Cash Balances, January 1</i>	<u>935,908</u>	<u>10,640</u>	<u>946,548</u>
Fund Cash Balances, December 31			
Restricted	24,079	-	24,079
Unassigned	969,689	17,961	987,650
<i>Fund Cash Balances, December 31</i>	<u>\$ 993,768</u>	<u>\$ 17,961</u>	<u>\$ 1,011,729</u>

See accompanying notes to the financial statements

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

Public Entity Risk Pool

The District participates in the County Risk Sharing Authority of Ohio (CORSA), a public entity risk pool. Note 5 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 (regulatory cash basis) for all funds.

Fund Accounting

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

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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.

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

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 Guernsey 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 Guernsey County Auditor. *Guernsey County Auditor, Tony Brown, 627 Wheeling Avenue Suite 301, Cambridge, Ohio 43725 (740-432-9243).*

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.

For the District Fund and other funds, the District values U.S. Treasury Notes and common stock at cost. 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.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Special Fund Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 206,498	\$ 172,047	\$ (34,451)

2018 Budgeted vs Actual Budgetary Basis Disbursements			
Fund	Appropriation Authority	Budgetary Disbursements	Variance
Special	\$ 206,498	\$ 164,726	\$ 41,772

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

Note 4 – Deposits

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

	<u>2018</u>
Demand Deposits	\$ 115,683
Certificates of Deposit	565,158
Other Time Deposits (Savings)	312,927
County Treasurer Deposits	<u>17,961</u>
Total Deposits	<u><u>\$1,011,729</u></u>

Deposits

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

Note 5 – Risk Management

The County is exposed to various risks of loss to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to sixty members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$1,000,000 of total liability coverage for each loss. Each of these areas contains a \$2,500 member deductible amount. Property damage is covered for \$80,918,438, equipment breakdown coverage is covered for \$100,000,000 and crime insurance is covered for \$1,000,000 for each occurrence.

In addition, the County maintains replacement cost insurance through CORSA on other property including the following: \$1,000,000 for valuable papers and extra expenses, \$250,000,000 for unintentional omissions, \$1,000,000,000 for flood and earthquake damage, and \$1,000,000,000 for debris removal. Contractor's equipment, miscellaneous inland marine, and auto physical damage are insured for their actual cash value under CORSA.

The amounts of settlements have not exceeded commercial coverage in any of the past three years. Also, the limits have not been lowered significantly in the past year.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Note 7 – Postemployment Benefits

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

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

Guernsey Soil and Water Conservation District
Guernsey County
335C Old National Road
P.O. Box 310
Old Washington, Ohio 43768

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 Guernsey County Soil and Water Conservation District, Guernsey 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 April 22, 2020, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits.

Internal Control Over Financial Reporting

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

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

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

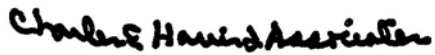
We also noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 22, 2020.

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.
April 22, 2020

**GUERNSEY COUNTY SOIL AND WATER CONSERVATION DISTRICT
GUERNSEY COUNTY**

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

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

Material Weakness

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:

- Transfers were recorded as Salaries Expense in the District Fund and Other Revenue in to the Special Fund in 2019;
- Transfers were recorded as Other Expense in the District Fund and Other Revenue in the Special Fund for 2018;
- Hospitalization and Medicare Expenses in the Special Fund were recorded as Other Expenses for 2019 and 2018;
- 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;
- The fund balance for the Moore Timber Fund; which was merged into the District Fund was recorded as Unassigned fund balance and it should have been Restricted fund balance in 2019 and 2018.
- On the Hinkle Filings there were two additional funds that should be included as part of the District Fund for 2019 and 2018.
- 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.

Not posting receipts, disbursements and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications.

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

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.

**GUERNSEY COUNTY SOIL AND WATER CONSERVATION DISTRICT
GUERNSEY COUNTY**

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

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

Material Weakness (Continued)

Posting Receipts, Disbursements and Fund Balances (Continued)

We also recommend the District Administrator refer to Ohio Department of Agriculture and the Soil and Water Conservation Administrative Handbook to determine the proper establishment of receipt and disbursement accounts and posting receipts and disbursements. The District Administrator should refer to GASB Statement 54 and Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

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.

Management Response – See Corrective Action Plan

**GUERNSEY COUNTY SOIL AND WATER CONSERVATION DISTRICT
GUERNSEY 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	Levi Arnold, District Administrator

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OHIO AUDITOR OF STATE
KEITH FABER



GUERNSEY COUNTY SOIL AND WATER CONSERVATION DISTRICT

GUERNSEY 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
MAY 26, 2020**