



OHIO AUDITOR OF STATE
KEITH FABER



**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Hocking Conservancy District
Athens County
560 West Union Street
Athens, Ohio 45701

To the Board of Directors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Hocking Conservancy District, Athens County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2021, the District reclassified several funds in order to comply with provisions of GASB 54. Further, the District identified interest receipts understated in 2020. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we;

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2024

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**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022**

	General	Special Revenue	Capital Projects	Total
Cash Receipts				
Property Tax Assessments	\$339,723	\$165,496	\$0	\$505,219
Rents and Leases	3,056	0	0	3,056
Earnings on Investments	3,656	88	2,373	6,117
Miscellaneous	92,869	0	0	92,869
<i>Total Cash Receipts</i>	<u>439,304</u>	<u>165,584</u>	<u>2,373</u>	<u>607,261</u>
Cash Disbursements				
Current Disbursements:				
Conservation:				
Salaries	298,908	1,436	0	300,344
Fringe Benefits	211,860	0	0	211,860
Supplies and Materials	17,225	2,874	0	20,099
Equipment	49,002	0	0	49,002
Utilities	34,043	0	0	34,043
Contracts - Repair	7,854	0	0	7,854
Contracts - Services	5,568	0	0	5,568
Advertising and Printing	85	0	0	85
Other	0	98,248	0	98,248
Capital Outlay	0	679	0	679
Debt Service:				
Interest and Fiscal Charges	0	1,625	0	1,625
<i>Total Cash Disbursements</i>	<u>624,545</u>	<u>104,862</u>	<u>0</u>	<u>729,407</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(185,241)</u>	<u>60,722</u>	<u>2,373</u>	<u>(122,146)</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(7,000)	0	0	(7,000)
Advance In	6,267	0	0	6,267
Advance Out	0	(6,267)	0	(6,267)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(733)</u>	<u>(6,267)</u>	<u>0</u>	<u>(7,000)</u>
<i>Net Change in Fund Cash Balances</i>	(185,974)	54,455	2,373	(129,146)
<i>Fund Cash Balances, January 1</i>	<u>2,640,385</u>	<u>256,321</u>	<u>697,484</u>	<u>3,594,190</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,454,411</u></u>	<u><u>\$310,776</u></u>	<u><u>\$699,857</u></u>	<u><u>\$3,465,044</u></u>

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

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2022**

	Internal Service
Operating Cash Disbursements	
Employee Fringe Benefits	\$6,427
<i>Total Operating Cash Disbursements</i>	6,427
<i>Operating Income (Loss)</i>	(6,427)
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	2
<i>Total Non-Operating Receipts (Disbursements)</i>	2
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(6,425)
Transfers In	7,000
<i>Net Change in Fund Cash Balances</i>	575
<i>Fund Cash Balances, January 1</i>	4,016
<i>Fund Cash Balances, December 31</i>	\$4,591

See accompanying notes to the basic financial statements

Hocking Conservancy District
Athens County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hocking Conservancy District (the District), Athens County, as a body corporate and politic. A three-member Board of Directors directs the District. The Conservancy Court appoints the Board of Directors. The District provides conservation and flood control to the watershed.

The District’s management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District’s financial statement consists of statements of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board 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.

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

A summary of 2022 budgetary activity appears in Note 3.

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2022
(Continued)

Deposits and Investments

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

The District invests in certificates of deposit from area banks and StarOhio.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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 statement does 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

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 The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental 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

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2022
(Continued)

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022, follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$401,894	\$445,571	(\$43,677)
Special Revenue	166,045	165,584	461
Capital Projects	640	2,373	(1,733)
Internal Service	12,000	7,002	4,998
Total	\$580,579	\$620,530	(\$39,951)

20212 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,136,755	\$631,545	\$1,505,210
Special Revenue	206,189	111,129	95,060
Capital Projects	519,100	0	519,100
Internal Service	15,075	6,427	8,648
Total	\$2,877,119	\$749,101	\$2,128,018

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2022
Demand Deposits	\$714,227
Certificates of Deposit	2,741,883
Total deposits	3,456,110
STAR Ohio	13,525
Total investments	13,525
Total deposits and investments	\$3,469,635

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2022
(Continued)

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.

Investments

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

Note 5 – Property Taxes

The District receives money from a special property tax assessment levied in 1972. The tax revenue is used to maintain and operate the Athens Local Flood Protection Project. The tax assessment is applied to real estate duplicates for those who benefit directly from the project.

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

The District also provides vision insurance coverage of up to \$1,500 per year per household for the Directors, employees, spouses, and dependent children. The District provides dental insurance coverage of up to \$1,000 per year for the Directors and their families. The Internal Service Fund pays covered claims to service providers and recovers these costs from transfers from the General Fund.

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2022
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan’s retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

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, 2022.

Note 8 – 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 a Health Reimbursement Arrangement, 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 2022. The portion of employer contributions allocated to health care for members in the member-directed plan was 4 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt/Interfund Balances

The District issued manuscript debt wherein the General Fund loaned the Margaret Creek Special Revenue Fund \$130,000 in 2011 at 2% annual interest and maturing in 2041. The amount of debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
Interfund Loan (Manuscript Debt)	\$77,866	2%

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

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2022
(Continued)

Year Ending December 31:	Manuscript Debt
2023	7,892
2024	7,892
2025	7,892
2026	7,892
2027	7,892
2028-2032	39,460
2033	7,891
Total	<u><u>\$86,811</u></u>

Note 10 – Fund Balance

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were \$0.

The fund balance of the Special Revenue Fund is restricted. The fund balance of the Capital Projects Fund is assigned. These restricted and assigned amounts in the Special Revenue and Capital Projects funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 11 – Subsequent Events

On July 12, 2023, the District approved a professional services contract with Stantec not to exceed \$160,000 with an estimated completion date of July 3, 2024.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021**

	General	Special Revenue	Capital Projects	Total
Cash Receipts				
Property Tax Assessments	\$346,274	\$166,222	\$0	\$512,496
Rents and Leases	6,725	0	0	6,725
Earnings on Investments	8,850	177	1,784	10,811
Miscellaneous	90,436	0	0	90,436
<i>Total Cash Receipts</i>	<u>452,285</u>	<u>166,399</u>	<u>1,784</u>	<u>620,468</u>
Cash Disbursements				
Current Disbursements:				
Conservation:				
Salaries	282,339	\$1,436	0	283,775
Fringe Benefits	203,885	0	0	203,885
Supplies and Materials	4,172	2,713	0	6,885
Equipment	53,476	0	0	53,476
Utilities	21,827	0	0	21,827
Contracts - Repair	40,904	0	0	40,904
Contracts - Services	4,680	0	0	4,680
Advertising and Printing	85	0	0	85
Other	11,720	94,201	0	105,921
Capital Outlay	0	2,417	0	2,417
Debt Service:				
Interest and Fiscal Charges	0	1,750	0	1,750
<i>Total Cash Disbursements</i>	<u>623,088</u>	<u>102,517</u>	<u>0</u>	<u>725,605</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(170,803)</u>	<u>63,882</u>	<u>1,784</u>	<u>(105,137)</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(3,000)	0	0	(3,000)
Advance In	6,142	0	0	6,142
Advance Out	0	(6,142)	0	(6,142)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,142</u>	<u>(6,142)</u>	<u>0</u>	<u>(3,000)</u>
<i>Net Change in Fund Cash Balances</i>	(167,661)	57,740	1,784	(108,137)
<i>Fund Cash Balances, January 1- Restated</i>	<u>2,808,046</u>	<u>198,581</u>	<u>695,700</u>	<u>3,702,327</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,640,385</u></u>	<u><u>\$256,321</u></u>	<u><u>\$697,484</u></u>	<u><u>\$3,594,190</u></u>

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

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021**

	Internal Service
Operating Cash Disbursements	
Employee Fringe Benefits	\$5,947
<i>Total Operating Cash Disbursements</i>	<i>5,947</i>
<i>Operating Income (Loss)</i>	<i>(5,947)</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	1
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>1</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(5,946)</i>
Transfers In	3,000
<i>Net Change in Fund Cash Balances</i>	<i>(2,946)</i>
<i>Fund Cash Balances, January 1</i>	<i>6,962</i>
<i>Fund Cash Balances, December 31</i>	<i>\$4,016</i>

See accompanying notes to the basic financial statements

Hocking Conservancy District
Athens County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hocking Conservancy District (the District), Athens County, as a body corporate and politic. A three-member Board of Directors directs the District. The Conservancy Court appoints the Board of Directors. The District provides conservation and flood control to the watershed.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of statements of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board 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.

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

A summary of 2021 budgetary activity appears in Note 3.

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

Deposits and Investments

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

The District invests in certificates of deposit from area banks and StarOhio.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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 statement does 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

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 The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental 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

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021, follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$533,838	\$458,427	\$75,411
Special Revenue	161,530	166,399	(4,869)
Capital Projects	7,100	1,784	5,316
Internal Service	10,500	3,001	7,499
Total	\$712,968	\$629,611	\$83,357

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,088,261	\$626,088	\$1,462,173
Special Revenue	206,189	108,659	97,530
Capital Projects	519,100	0	519,100
Internal Service	15,075	5,947	9,128
Total	\$2,828,625	\$740,694	\$2,087,931

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand Deposits	2021 \$634,770
Certificates of Deposit	2,950,139
Total deposits	3,584,909
STAR Ohio	13,297
Total investments	13,297
Total deposits and investments	\$3,598,206

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

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.

Investments

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

Note 5 – Property Taxes

The District receives money from a special property tax assessment levied in 1972. The tax revenue is used to maintain and operate the Athens Local Flood Protection Project. The tax assessment is applied to real estate duplicates for those who benefit directly from the project.

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

The District also provides vision insurance coverage of up to \$1,500 per year per household for the Directors, employees, spouses, and dependent children. The District provides dental insurance coverage of up to \$1,000 per year for the Directors and their families. The Internal Service Fund pays covered claims to service providers and recovers these costs from transfers from the General Fund.

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan’s retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

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, 2021.

Note 8 – 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 a Health Reimbursement Arrangement, 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 2021. The portion of employer contributions allocated to health care for members in the member-directed plan was 4 percent during calendar year 2021.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt/Interfund Balances

The District issued manuscript debt wherein the General Fund loaned the Margaret Creek Special Revenue Fund \$130,000 in 2011 at 2% annual interest and maturing in 2041. The amount of debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Interfund Loan (Manuscript Debt)	\$84,132	2%

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

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

Year Ending December 31:	Manuscript Debt
2022	\$7,892
2023	7,892
2024	7,892
2025	7,892
2026	7,892
2027-2031	39,460
2032-2033	15,783
Total	<u>\$94,703</u>

Note 10 – Fund Balance

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were \$0.

The fund balance of the Special Revenue Fund is restricted. The fund balance of the Capital Projects Fund is assigned. These restricted and assigned amounts in the Special Revenue and Capital Projects funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 11 – Subsequent Events

On July 12, 2023, the District approved a professional services contract with Stantec not to exceed \$160,000 with an estimated completion date of July 3, 2024.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Restatement of Fund Balances

For calendar year 2021, the District reclassified several funds in order to comply with provisions of GASB 54. Further, the District identified interest receipts were understated in 2020. The following are the restatements to fund balances at December 31, 2020 based on these items:

Hocking Conservancy District
Athens County
Notes to the Financial Statement
For the Year Ended December 31, 2021
(Continued)

	General Fund	Special Revenue	Capital Projects
Fund Balance, December 31, 2020	\$881,357	\$2,799,782	\$0
Adjustments:			
Understated Interest Receipts	1,311	19,877	0
Reclassifications due to GASB 54	1,925,378	(2,621,078)	695,700
Restated Fund Balance, December 31, 2020	\$2,808,046	\$198,581	\$695,700

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OHIO AUDITOR OF STATE KEITH FABER



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

Hocking Conservancy District
Athens County
560 West Union Street
Athens, Ohio 45701

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Hocking Conservancy District, Athens County, Ohio (the District) and have issued our report thereon dated January 5, 2024, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit and wherein we noted during 2021 the District reclassified several funds in order to comply with provisions of GASB 54 and identified interest receipts understated in 2020.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2024

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 5705.14 provides that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as noted within that Section.

The District transferred \$55,000 from the Margaret Creek Conservancy District into the Margaret Creek Conservancy District Contingency Fund. However, the transfer did not meet the statutorily provided exceptions and, as such, was not an allowable transfer. This was due to a misunderstanding of the classification of funds in accordance with GASB 54.

The Board should only make transfers in accordance with exceptions statutorily deemed allowable.

Officials' Response: The auditors clarified the classification of funds, and this will no longer be our practice in the future. We now understand that the transfer of funds from Special Revenue to the General Fund is not allowed, so this will be tracked internally.

FINDING NUMBER 2022-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District's financial statements included various errors resulting in audit adjustment.

For the Year ended December 31, 2022:

- The District recorded an unallowable transfer resulting in a decrease in Miscellaneous Receipts in the Margaret Creek Conservancy District Contingency Reserve Fund (combined with General Fund in the financial statements) and a decrease in the Margaret Creek Conservancy District Special Revenue Fund of \$55,000.
- The District's beginning cash balance for Special Revenue Funds did not agree to the prior year cash balance resulting in a decrease in Fund Cash Balances, January 1 of \$28,423.
- The District incorrectly recorded a payment from the Margaret Creek Subdistrict Special Revenue Fund to the General Fund related to manuscript debt resulting in:
 - General Fund - a reduction of Miscellaneous Receipts of \$7,892, an increase in Advance In of \$6,267, and an increase in Earnings on Investment of \$1,625.
 - Special Revenue Funds - an increase in Interest and Fiscal Charges of \$1,625, an increase in Advance Out of \$6,627, and a decrease in Capital Outlay of \$7,892.

**HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2022-002 (Continued)

Material Weakness – Financial Reporting (Continued)

- The District did not properly classify four funds in accordance with GASB 54 requirements. This resulted in:
 - General Fund - an increase in Earnings on Investment of \$1,023, an increase in Equipment Disbursements of \$28,685, and an increase in Fund Cash Balances, January 1 of \$1,865,024.
 - Capital Projects Fund - an increase in Earnings on Investment of \$2,373 and an increase in Fund Cash Balances, January 1 of \$697,484.
 - Special Revenue Funds - a decrease in Earnings on Investment of \$3,396, a decrease in Equipment Disbursements of \$28,685, and a decrease in Fund Cash Balances, January 1 of \$2,562,508.
- The District misclassified several disbursements resulting in the Special Revenue Funds resulting in a decrease in Capital Outlay and an increase in Other disbursements of \$98,248.
- Earnings on Investment of \$1,883 were not recorded resulting in an increase in Earnings on Investment of \$1,883 in the Improvement Fund which was ultimately included as a Capital Projects Fund.

For the Year ended December 31, 2021:

- The District recorded an unallowable transfer resulting in a decrease in Miscellaneous Receipts in the Margaret Creek Conservancy District Contingency Reserve Fund (combined with General Fund in the financial statements) and a decrease in the Margaret Creek Conservancy District Special Revenue Fund of \$55,000.
- The District incorrectly recorded a payment from the Margaret Creek Subdistrict Special Revenue Fund to the General Fund related to manuscript debt resulting in:
 - General Fund - a reduction of Miscellaneous Receipts of \$7,892, an increase in Advance In of \$6,142, and an increase in Earnings on Investment of \$1,750.
 - Special Revenue Funds - an increase in Interest and Fiscal Charges of \$1,750, an increase in Advance Out of \$6,142, and a decrease in Capital Outlay of \$7,892.
- The District did not properly classify four funds in accordance with GASB 54 requirements. This resulted in:
 - General Fund - an increase in Earnings on Investment of \$5,868, an increase in Miscellaneous Receipts of \$230, an increase in Supplies and Materials of \$4,172, an increase in Equipment of \$42,659, an increase in Contract Repairs of \$19,621, and an increase in Fund Cash Balances, January 1 of \$1,925,378.
 - Capital Projects Fund - an increase in Earnings on Investment of \$1,784 and an increase in Fund Cash Balances, January 1 of \$695,700.
 - Special Revenue Funds- a decrease in Earnings on Investment of \$7,652, a decrease in Miscellaneous Receipts of \$230, a decrease in Supplies and Materials of \$4,172, a decrease in Equipment of \$42,659, a decrease in Contract Repairs of \$19,621, and a decrease in Fund Cash Balances, January 1 of \$2,621,078.

HOCKING CONSERVANCY DISTRICT
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-002 (Continued)

Material Weakness – Financial Reporting (Continued)

- The District misclassified several disbursements resulting in the Special Revenue Funds resulting in a decrease in Capital Outlay and an increase in Other disbursements of \$94,201.
- Earnings on Investment of \$5,767 were not recorded resulting in an increase in Earnings on Investment and Fund Cash Balances, January 1 of \$5,767 in the Improvement Fund which was ultimately included as a Capital Projects Fund.

Further, several adjustments to the Notes to the Financial Statements were required such as changes to budgetary presentations based on updated fund classifications and audit adjusted amounts, changes to cash presented, and addition of notes for post-employment benefits, subsequent events, Covid-19 considerations, fund balance classifications on regulatory basis, and fund balance restatement note. The District also opted to post immaterial adjustments identified in the listing of proposed audit adjustments which are not outlined above.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the Treasurer should review revenues and expenditures periodically and at year end to ensure amounts and transactions have been properly recorded. Further, the Treasurer and Board should review the basic financial statements prior to filing those statements in the Hinkle System.

Officials' Response: The auditor clarified the GASB 54 requirements and addressed the classifications for funds. Going forward, if there are any questions, we will reach out to the auditor. Every effort will be made to be in compliance with GASB 54 requirements.

OHIO AUDITOR OF STATE KEITH FABER



HOCKING CONSERVANCY DISTRICT

ATHENS 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 1/30/2024

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