



**HANCOCK COUNTY SOIL AND WATER CONSERVATION DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

HANCOCK COUNTY SOIL AND WATER CONSERVATION DISTRICT
HANCOCK COUNTY

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INDEPENDENT AUDITOR'S REPORT

Hancock County Soil and Water Conservation District
Hancock County
7868 County Road 140, Suite E
Findlay, Ohio 45840

To the Board of Supervisors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Hancock County Soil and Water Conservation District, Hancock County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each fund 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 fund 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 the Ohio Department of Agriculture permits, 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 years 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 accounting basis permitted by the financial reporting provisions of the Ohio Department of Agriculture, which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. 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 3 to the 2021 financial statements, the District restated beginning fund balances to change the classification of one of its funds. 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 the Ohio Department of Agriculture permits. 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 December 20, 2023, 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

December 20, 2023

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Hancock County Soil and Water Conservation District
Hancock County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2022

	District Fund	Special Fund	Other Funds	Combined Total
Cash Receipts				
Grants				
Local Government		\$144,133		\$144,133
State Government		140,085	\$3,491,497	3,631,582
Gifts and Contributions			2,000	2,000
Sale of Products/Materials	\$12,153			12,153
All Other Revenue	911	242	94,714	95,867
Total Cash Receipts	13,064	284,460	3,588,211	3,885,735
Cash Disbursements				
Salaries		218,588		218,588
Supplies	2,813	643	11,271	14,727
Contract Repairs	165			165
Contract Services/Cost Share Payment	2,506	13,305	946,328	962,139
Rentals		31,014		31,014
Service Fees	2,166		70	2,236
Information and Education	1,533		626	2,159
Travel and Expenses	985	4,181		5,166
Advertising and Printing	6,495			6,495
OPERS		30,387		30,387
Worker's Compensation		1,635		1,635
Hospitalization		21,341		21,341
Medicare		2,306		2,306
Product/Materials for Resale	4,798			4,798
Vehicle Rental/Liability Insurance	1,579			1,579
Annual Meeting/Banquet	2,329			2,329
Other	3,997			3,997
Total Cash Disbursements	29,366	323,400	958,295	1,311,061
Excess of Receipts Over (Under) Disbursements	(16,302)	(38,940)	2,629,916	2,574,674
Other Financing Receipts (Disbursements)				
Transfers In	39,957	21,456		61,413
Transfers Out			(61,413)	(61,413)
Total Other Financing Receipts (Disbursements)	39,957	21,456	(61,413)	
Net Change in Fund Cash Balances	23,655	(17,484)	2,568,503	2,574,674
Fund Cash Balances, January 1	47,212	86,136	5,152,385	5,285,733
Fund Cash Balances, December 31	\$70,867	\$68,652	\$7,720,888	\$7,860,407

See accompanying notes to the basic financial statements

Hancock County Soil and Water Conservation District
Hancock 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 Hancock County Soil and Water Conservation District, Hancock 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.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

H2Ohio Cost-Share Fund The H2Ohio Cost-Share Fund accounts for and reports allocations from the state restricted for the payment of contracts implemented in the H2Ohio program.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Budgetary Process

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

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

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Hancock 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 Hancock County Auditor, Charity Rauschenberg, CPA, at 300 South Main Street, Room 21 and 22, Findlay, Ohio, by phone at (419) 424-7015, or by email at hanuada@co.hancock.oh.us.

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.

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. 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 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*. For regulatory purposes, assigned fund balance in the special and district funds is limited to encumbrances outstanding at year end.

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Special Fund Budgetary Activity

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

2022 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$337,316	\$305,916	(\$31,400)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$370,385	\$327,301	\$43,084

Note 4 – Deposits and Investments

The District maintains a deposits and investments pool all funds use, except the Special Fund which is maintained by the Hancock County Treasurer. 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	\$7,784,924
Certificates of deposit	6,831
County Treasurer Deposits	68,652
Total deposits	\$7,860,407

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the District; 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

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.

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All District 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, 2022.

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 2022. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2022.

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 – Transfers

During 2022, the H2Ohio Staffing Grant Fund made transfers of \$21,456 to the Special Fund as reimbursements for staffing costs. Additionally, the H2Ohio Cost-Share Fund made transfers of interest in the amounts of \$39,957 to the District Fund, as interest is not to be accounted for in the H2Ohio Cost-Share Fund.

Note 10 – All Other Revenue

The District and Other Funds received revenue from pond construction, drainage maintenance, reimbursements, refunds, and interest during 2022.

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 11 – Fund Balances

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 as follows:

<u>Fund Balances</u>	<u>Special</u>
Outstanding Encumbrances	<u>\$3,901</u>

The fund balance of the other funds is either restricted or committed. These restricted, committed, and assigned amounts in the other funds would include the outstanding encumbrances. In the special and district funds, outstanding encumbrances are considered assigned.

Hancock County Soil and Water Conservation District
Hancock County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended December 31, 2021

	District Fund	Special Fund	Other Funds	Combined Total
Cash Receipts				
Grants				
Local Government		\$143,050		\$143,050
State Government		139,228	\$3,831,003	3,970,231
Gifts and Contributions	\$5			5
Sale of Products/Materials	10,216			10,216
All Other Revenue	807		4,007	4,814
<i>Total Cash Receipts</i>	<u>11,028</u>	<u>282,278</u>	<u>3,835,010</u>	<u>4,128,316</u>
Cash Disbursements				
Salaries		215,300		215,300
Supplies	3,341	663	13	4,017
Equipment	19,739		728	20,467
Contract Repairs	141			141
Contract Services/Cost Share Payment	8,860	13,007	513,928	535,795
Rentals		31,014		31,014
Service Fees	2,041			2,041
Information and Education	165			165
Travel and Expenses	184	1,833		2,017
Advertising and Printing	6,381			6,381
OPERS		29,689		29,689
Worker's Compensation		1,175		1,175
Hospitalization		18,425		18,425
Medicare		2,287		2,287
Product/Materials for Resale	6,888			6,888
Vehicle Rental/Liability Insurance	2,527			2,527
Annual Meeting/Banquet	3,669			3,669
Other	6,235			6,235
<i>Total Cash Disbursements</i>	<u>60,171</u>	<u>313,393</u>	<u>514,669</u>	<u>888,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,143)</u>	<u>(31,115)</u>	<u>3,320,341</u>	<u>3,240,083</u>
Other Financing Receipts (Disbursements)				
Transfers In	3,740	63,571		67,311
Transfers Out			(67,311)	(67,311)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,740</u>	<u>63,571</u>	<u>(67,311)</u>	
<i>Net Change in Fund Cash Balances</i>	(45,403)	32,456	3,253,030	3,240,083
<i>Fund Cash Balances, January 1 (restated)</i>	<u>92,615</u>	<u>53,680</u>	<u>1,899,355</u>	<u>2,045,650</u>
<i>Fund Cash Balances, December 31</i>	<u>\$47,212</u>	<u>\$86,136</u>	<u>\$5,152,385</u>	<u>\$5,285,733</u>

See accompanying notes to the basic financial statements

Hancock County Soil and Water Conservation District
Hancock 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 Hancock County Soil and Water Conservation District, Hancock 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.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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H2Ohio Cost-Share Fund The H2Ohio Cost-Share Fund accounts for and reports allocations from the state restricted for the payment of contracts implemented in the H2Ohio program.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Agriculture. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters the Ohio Department of Agriculture requires.

Budgetary Process

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

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

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 2021 budgetary activity appears in Note 4.

Deposits and Investments

The Hancock 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 Hancock County Auditor, Charity Rauschenberg, CPA, at 300 South Main Street, Room 21 and 22, Findlay, Ohio, by phone at (419) 424-7015, or by email at hanuada@co.hancock.oh.us.

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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.

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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:

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Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the special and district funds is limited to encumbrances outstanding at year end.

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Restatement of Fund Balances

The beginning balances of the District and Other Funds on the combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) have been restated to exclude certain funds that are required to be classified separately from the District fund and include them as part of the combined Other Funds. This includes the WLEB Buffer Grant Fund.

	District Fund
Fund Cash Balance, January 1, 2021	\$122,719
Reclassification of fund	(30,104)
Restated Fund Balance, January 1, 2021	\$92,615
	Other Funds
Fund Cash Balance, January 1, 2021	\$1,869,251
Reclassification of fund	30,104
Restated Fund Balance, January 1, 2021	\$1,899,355

Note 4 – Special Fund Budgetary Activity

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

2021 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund	Receipts	Receipts	Variance
Special	\$304,681	\$345,849	\$41,168

20CY Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund	Authority	Expenditures	Variance
Special	\$336,750	\$315,749	\$21,001

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Deposits and Investments

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

	2021
Demand deposits	\$5,192,770
Certificates of deposit	6,827
County Treasurer Deposits	86,136
Total deposits	\$5,285,733

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the District; 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 6 – Risk Management

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.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All District 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, 2021.

Hancock County Soil and Water Conservation District
Hancock County
Notes to the Financial Statements
For the Year Ended 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, 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 2021. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 9 – Contingent Liabilities

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

Note 10 – Transfers

During 2021, the H2Ohio Staffing Grant Fund made transfers of \$63,571 to the Special Fund as reimbursements for staffing costs. Additionally, the H2Ohio Cost-Share Fund made transfers of interest in the amounts of \$3,740 to the District Fund, as interest is not to be accounted for in the H2Ohio Cost-Share Fund.

Note 11 – Fund Balances

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 as follows:

<u>Fund Balances</u>	<u>Special</u>
Outstanding Encumbrances	<u>\$2,356</u>

The fund balance of the other funds is either restricted or committed. These restricted, committed, and assigned amounts in the other funds would include the outstanding encumbrances. In the special and district funds, outstanding encumbrances are considered assigned.



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

Hancock County Soil and Water Conservation District
Hancock County
7868 County Road 140, Suite E
Findlay, Ohio 45840

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 Hancock County Soil and Water Conservation District, Hancock County, Ohio (the District) as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements and have issued our report thereon dated December 20, 2023, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits. We also noted the District restated beginning fund balances to change the classification of one of its funds.

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 purposes 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 2022-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 20, 2023

**HANCOCK COUNTY SOIL AND WATER CONSERVATION DISTRICT
HANCOCK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Material Weakness

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 following errors required adjustment to the financial statements for the year ended December 31, 2022:

- On the annual report, the District misreported the activity from the District Contingent Liability, District Technical, and H2Ohio Staffing Grant Funds as part of the District Fund, rather than as part of the Other Fund; and
- As part of the annual report preparation, revenues and expenditures were misreported in the wrong line items in amounts ranging from \$70 to \$2,620.

The following errors required adjustment to the financial statements for the year ended December 31, 2021:

- On the annual report, the District misreported the activity from the District Contingent Liability, District Technical, and H2Ohio Staffing Grant Funds as part of the District Fund, rather than as part of the Other Fund; and
- As part of the annual report preparation, revenues and expenditures were misreported in the wrong line items in amounts ranging from \$1,200 to \$2,026; and
- Grants: State Government revenue of \$3,491,497 was misclassified as Grants: Federal Government; and
- The beginning fund balance of \$92,615 for the District Fund was excluded from the filed report; and
- The beginning fund balance for the WLEB Buffer Grant Fund was overstated from the prior audit ending balance by \$16,431. In addition, the beginning fund balance of the District Fund and Other Funds were restated by \$30,104 to properly classify certain funds as Other Funds.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the District making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors.

The District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Agent, District Program Administrator and Board of Supervisors to help identify and correct errors and omissions.

Officials Response:

We did not receive a response from Officials to the finding reported above.



HANCOCK SOIL & WATER CONSERVATION DISTRICT

7868 Co. Rd. 140, Suite E Findlay, Ohio 45840 Ph: (419) 422-6569 Fax: (419) 422-2080

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Finding was first issued in the 2018-2017 audit. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2022-001 in this report.	No corrective action was taken. However, Fiscal Agent and District Program Administrator will review the errors and make corrections going forward.

OHIO AUDITOR OF STATE KEITH FABER



HANCOCK COUNTY SOIL AND WATER CONSERVATION DISTRICT

HANCOCK 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 1/9/2024

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