



**LUCAS SOIL AND WATER CONSERVATION DISTRICT
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

**LUCAS SOIL AND WATER CONSERVATION DISTRICT
LUCAS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lucas Soil and Water Conservation District
Lucas County
3350 Hill Avenue, Suite K
Toledo, Ohio 43607

To the Board of Supervisors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Lucas Soil and Water Conservation District, Lucas 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.

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 October 16, 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

October 16, 2023

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Lucas Soil and Water Conservation District
Lucas 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 | | \$183,468 | | \$183,468 |
| State Government | \$973 | 287,272 | \$566,975 | 855,220 |
| Federal Government | 17,781 | | | 17,781 |
| Gifts and Contributions | 463 | | | 463 |
| Sale of Products/Materials | 43,901 | | | 43,901 |
| Farm Harvest Income | 33,331 | | | 33,331 |
| All Other Revenue | 4,540 | | 9,091 | 13,631 |
| <i>Total Cash Receipts</i> | <u>100,989</u> | <u>470,740</u> | <u>576,066</u> | <u>1,147,795</u> |
| Cash Disbursements | | | | |
| Salaries | | 283,500 | | 283,500 |
| Supplies | 6,410 | | | 6,410 |
| Equipment | 5,621 | | | 5,621 |
| Contract Services/Cost Share Payment | 62,292 | | 316,595 | 378,887 |
| Rentals | | 24,348 | | 24,348 |
| Service Fees | 106 | | | 106 |
| Information and Education | 4,093 | | | 4,093 |
| Travel and Expenses | 3,033 | | | 3,033 |
| Advertising and Printing | 3,299 | | | 3,299 |
| OPERS | | 40,342 | | 40,342 |
| Worker's Compensation | | 1,991 | | 1,991 |
| Hospitalization | | 55,896 | | 55,896 |
| Medicare | | 3,956 | | 3,956 |
| Product/Materials for Resale | 34,744 | | | 34,744 |
| Annual Meeting/Banquet | 2,116 | | | 2,116 |
| Other | 80,948 | | | 80,948 |
| <i>Total Cash Disbursements</i> | <u>202,662</u> | <u>410,033</u> | <u>316,595</u> | <u>929,290</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(101,673)</u> | <u>60,707</u> | <u>259,471</u> | <u>218,505</u> |
| <i>Fund Cash Balances, January 1</i> | <u>464,236</u> | <u>198,103</u> | <u>766,005</u> | <u>1,428,344</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$362,563</u> | <u>\$258,810</u> | <u>\$1,025,476</u> | <u>\$1,646,849</u> |

See accompanying notes to the basic financial statements

Lucas Soil and Water Conservation District

Lucas 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 Lucas Soil and Water Conservation District, Lucas County, Ohio (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 contracts with Mizick Miller to provide Cash Basis accounting services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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 fund This fund accounts for grant revenue provided by the State of Ohio to provide staffing for 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.

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements
For the Year Ended December 31, 2022

Budgetary Process

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Lucas 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 Lucas County Auditor's Office, Anita Lopez, Auditor, One Government Center, Suite 600, Toledo, Ohio 43604-2255, phone 419-213-4399.

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

For the District Fund and other funds, the District Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Leases

The District is the lessee in a lease (as defined by GASB 87) related to their office space, under noncancelable leases. Building lease disbursements are recognized when they are paid.

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2022

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.

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 9.

Note 3 – Special Fund Budgetary Activity

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

| Fund | 2022 Budgeted vs. Actual Receipts | | Variance |
|---------|-----------------------------------|-----------------|----------|
| | Budgeted Receipts | Actual Receipts | |
| Special | \$410,019 | \$470,740 | \$60,721 |

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2022

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|---------------|--------------|----------|
| | Appropriation | Budgetary | |
| Fund | Authority | Expenditures | Variance |
| Special | \$509,463 | \$410,033 | \$99,430 |

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

| | |
|--------------------------------|---------------------------|
| | <u>2022</u> |
| Demand deposits | \$1,238,525 |
| County Treasurer Deposits | <u>306,725</u> |
| Total deposits | 1,545,250 |
| STAR Ohio | <u>101,599</u> |
| Total deposits and investments | <u><u>\$1,646,849</u></u> |

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the District is holding no unremitted employee payroll withholdings.

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio and is administered through Lucas County. 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.

Lucas Soil and Water Conservation District
Lucas 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.

Self-Insurance

The District through the Lucas County self-insurance is insured for employee health insurance. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially measured liability as of December 31 follows:

| | |
|-----------------------|--------------|
| | <u>2022</u> |
| Cash and investments | \$12,323,193 |
| Actuarial liabilities | \$27,372,799 |

Note 6 – Defined Benefit Pension Plan

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.

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.

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 8 – Contingent Liabilities

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

Note 9 – Fund Balances

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.

Lucas Soil and Water Conservation District
Lucas 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 | \$2,162 | \$175,824 | | \$177,986 |
| State Government | 54,726 | 164,878 | \$597,468 | 817,072 |
| Federal Government | | 625 | 22,791 | 23,416 |
| Gifts and Contributions | 1,310 | | | 1,310 |
| Sale of Products/Materials | 47,813 | | | 47,813 |
| Farm Harvest Income | 41,599 | | | 41,599 |
| All Other Revenue | 13,459 | 3,712 | 149 | 17,320 |
| <i>Total Cash Receipts</i> | <u>161,069</u> | <u>345,039</u> | <u>620,408</u> | <u>1,126,516</u> |
| Cash Disbursements | | | | |
| Salaries | | 270,964 | 1,048 | 272,012 |
| Supplies | 4,229 | | | 4,229 |
| Equipment | 7,286 | | | 7,286 |
| Contract Services/Cost Share Payment | 84,244 | | 165,942 | 250,186 |
| Rentals | | 15,600 | | 15,600 |
| Information and Education | 4,906 | | | 4,906 |
| Travel and Expenses | 445 | | | 445 |
| Advertising and Printing | 3,672 | | | 3,672 |
| OPERS | | 37,889 | | 37,889 |
| Worker's Compensation | | 1,802 | | 1,802 |
| Unemployment Compensation | | 498 | | 498 |
| Hospitalization | | 61,263 | | 61,263 |
| Medicare | | 3,811 | | 3,811 |
| Product/Materials for Resale | 37,147 | | | 37,147 |
| Annual Meeting/Banquet | 2,717 | | | 2,717 |
| Other | 60,933 | | | 60,933 |
| <i>Total Cash Disbursements</i> | <u>205,579</u> | <u>391,827</u> | <u>166,990</u> | <u>764,396</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(44,510)</u> | <u>(46,788)</u> | <u>453,418</u> | <u>362,120</u> |
| <i>Fund Cash Balances, January 1</i> | <u>508,746</u> | <u>244,891</u> | <u>312,587</u> | <u>1,066,224</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$464,236</u> | <u>\$198,103</u> | <u>\$766,005</u> | <u>\$1,428,344</u> |

See accompanying notes to the basic financial statements

Lucas Soil and Water Conservation District

Lucas 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 Lucas Soil and Water Conservation District, Lucas County, Ohio (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 contracts with Mizick Miller to provide Cash Basis accounting services.

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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H2Ohio fund This fund accounts for grant revenue provided by the State of Ohio to provide staffing for 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.

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2021

Budgetary Process

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Lucas 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 Lucas County Auditor's Office, Anita Lopez, Auditor, One Government Center, Suite 600, Toledo, Ohio 43604-2255, phone 419-213-4399.

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Capital Assets

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Accumulated Leave

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Leases

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Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2021

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.

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 9.

Note 3 – Special Fund Budgetary Activity

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

| Fund | 2021 Budgeted vs. Actual Receipts | | Variance |
|---------|-----------------------------------|-----------------|----------|
| | Budgeted Receipts | Actual Receipts | |
| Special | \$308,497 | \$345,039 | \$36,542 |

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2021

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|--------------------------------|-------------------------------|-----------------|
| <u>Fund</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| Special | \$447,114 | \$391,827 | \$55,287 |

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

| | |
|--------------------------------|---------------------------|
| | <u>2021</u> |
| Demand deposits | \$1,114,481 |
| County Treasurer Deposits | <u>246,018</u> |
| Total deposits | 1,360,499 |
| STAR Ohio | <u>67,845</u> |
| Total deposits and investments | <u><u>\$1,428,344</u></u> |

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the District is holding no unremitted employee payroll withholdings.

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio and is administered through Lucas County. 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.

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

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Self-Insurance

The District through the Lucas County self-insurance is insured for employee health insurance. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially measured liability as of December 31 follows:

| | |
|-----------------------|--------------|
| | <u>2021</u> |
| Cash and investments | \$12,819,676 |
| Actuarial liabilities | \$24,587,689 |

Note 6 – Defined Benefit Pension Plan

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.

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 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 8 – Contingent Liabilities

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

Lucas Soil and Water Conservation District

Lucas County

Notes to the Financial Statements

For the Year Ended December 31, 2021

Note 9 – Fund Balances

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.

Note 10 – All Other Revenue

All Other Revenue consists mainly of outdoor camp income and fees collected from the Rain Garden Initiative Program.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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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

Lucas Soil and Water Conservation District
Lucas County
3350 Hill Avenue, Suite K
Toledo, Ohio 43607

To the Board of Supervisors:

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 fund of Lucas Soil and Water Conservation District, Lucas County, Ohio, (the District) as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2023 wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits.

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 2022-001 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

October 16, 2023

**LUCAS SOIL AND WATER CONSERVATION DISTRICT
LUCAS 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

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 following errors were identified in the accompanying financial statement and notes to the financial statement for the year ended December 31, 2022:

- District Fund federal grant receipts in the amount of \$17,781 was improperly classified as state government receipts;
- Special Fund appropriation authority was increased in the amount of \$44,063, in order to bring the amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with authorized budget amounts; and
- Special fund budgeted receipts were decreased in the amount of \$127,000, in order to bring amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with authorized budget amounts.

The following errors were identified in the accompanying financial statement and notes to the financial statement for the year ended December 31, 2021:

- Special Fund appropriation authority was increased in the amount of \$102,075, in order to bring the amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with authorized budget amounts;
- Special Fund budgetary expenditures were decreased in the amount of \$1,047, in order to bring the amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with actual amounts;
- Special Fund budgeted receipts were decreased in the amount of \$510,000, in order to bring amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with authorized budget amounts; and
- Special Fund budgetary receipts were decreased in the amount of \$781,477, in order to bring the amounts reported in the Special Fund Budgetary Activity note to the financial statements in line with actual amounts.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Supervisors to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified an additional immaterial misstatement in the amount of \$1,047 that we have brought to the District's attention.

The District should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the District Manager and Board of Supervisors, to help identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.



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Board of Supervisors

Diane DeYonker
Stephen Loeffler
Kevin Joyce
Tom Schoen
Jim Vogelbacher

District Staff

Matthew Browne
H2Oho Technician

Jessica Grisier
*Communication &
Outreach Coordinator*

Patrick Troyer
Education Specialist

Dj Mears
*Drainage/Agricultural
Conservationist*

Joey Warner
District Manager

Penny Bollin
*Urban Conservation
Technician*

**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 material errors in the financial statements. | Not corrected and reissued as Finding 2022-001 in this report. | This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and notes to the financial statements prior to filing the District's annual report. The District is implementing procedures to correct these errors for the future. |

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OHIO AUDITOR OF STATE KEITH FABER



LUCAS SOIL AND WATER CONSERVATION DISTRICT

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/9/2023

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