

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
FINAL AUDIT/REGULAR AUDIT
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2021



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OHIO AUDITOR OF STATE
KEITH FABER



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Board Members
Southern Ohio Agricultural and Community Development Foundation
8995 East Main Street
Reynoldsburg, Ohio 43068

We have reviewed the *Independent Auditor's Report* of the Southern Ohio Agricultural and Community Development Foundation, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Ohio Agricultural and Community Development Foundation is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 30, 2023

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Southern Ohio Agricultural and Community Development Foundation
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For the Six-Month Period Ended December 31, 2021

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Independent Auditor's Report

Southern Ohio Agricultural and Community Development Foundation
8995 East Main Street
Reynoldsburg, Ohio 43068

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the six-month period ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, State of Ohio, as of December 31, 2021, and the respective changes in financial position thereof for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

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 (*Government Auditing Standards*). 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 Foundation, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Foundation present the financial position and changes in financial position thereof for the governmental activities and the special revenue fund of only the transactions of the Southern Ohio Agricultural and Community Development Foundation. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of December 31, 2021, or the changes to its financial position for the six-month period then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the Foundation discontinued operations as of December 30, 2021. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and 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 Foundation'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 *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 Foundation'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 Foundation's ability to continue as a going concern for a reasonable period of time.

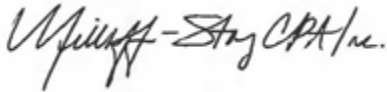
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023 on our consideration of the Foundation's internal control over financial reporting and on 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 Foundation'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 Foundation's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

May 30, 2023

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Six-Month Period Ended December 31, 2021
UNAUDITED

As management of the Southern Ohio Agricultural & Community Development Foundation (the Foundation), we are providing this overview of the Foundation's financial activities for the six-month period ended December 31, 2021. Please read the overview in conjunction with the Foundation's basic financial statements, which follow.

The Foundation uses a governmental fund to report its financial position and results of operations. We believe these financial statements present all activities for which the Foundation is financially responsible.

FINANCIAL HIGHLIGHTS

Key financial highlights are as follows:

- The Foundation continued its grant programs and disbursed \$250,983 in grants to Southern Ohio farmers and businesses.
- In accordance with Section 518.30 of House bill 110, on December 30, 2021, operations of the Foundation were discontinued. The Department of Agriculture was named successor to and assumed any remaining obligations and authority of the Foundation.
- As of December 30, 2021, or shortly thereafter, all equipment, assets, supplies, records, and other property of the Foundation were transferred to the Department of Agriculture or were disposed of in a lawful manner. The Foundation recognized a special item of \$300,666 associated with the transferring of assets and liabilities to the Department of Agriculture.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. These basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements. For most governmental entities, the government-wide and fund financial statements are presented separately; however, since the Foundation is comprised of only one governmental fund, we are presenting both types of financial statements on one combined set of financial statements, as described below:

- ***Governmental Fund Balance Sheet/Statement of Net Position***

The column labeled "Special Revenue Fund" presents information on the Foundation's assets, liabilities, deferred inflows of resources, and fund balance using the modified-accrual basis of accounting. The fund is an accounting device that the State of Ohio uses to keep track of specific sources of funding and spending for particular purposes. The fund balance may serve as a useful measure of the Foundation's net resources available for spending at the end of the period.

The column labeled "Statement of Net Position" presents information on the Foundation's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as *net position*. Such information is presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Six-Month Period Ended December 31, 2021
UNAUDITED

• ***Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities***

The column labeled “Special Revenue Fund” presents information on near-term inflows, outflows, and balances of expendable resources. Such information is presented on the modified-accrual basis of accounting.

The column labeled “Statement of Activities” presents information showing how the Foundation’s net position changed during the most recent fiscal year. Such information is presented on the accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Because the focus of fund financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented on a fund basis with similar information presented on a government-wide basis. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. The combined government-wide and fund financial statements include a reconciliation to facilitate this comparison (see column labeled “Adjustments”).

FINANCIAL ANALYSIS OF THE FOUNDATION

The following is a summary of the Foundation’s net position as of December 31, 2021 compared to June 30, 2021.

	<u>December 31, 2021</u>	<u>June 30, 2021</u>	<u>% Change</u>
Assets			
Current and Other Assets	\$ 12,326	\$ 401,601	-96.93%
Total Assets	<u>12,326</u>	<u>401,601</u>	
Deferred Outflow of Resources	<u>-</u>	<u>20,396</u>	-100.00%
Liabilities			
Other Liabilities	12,326	20,727	-40.53%
Long-Term Liabilities	-	185,602	-100.00%
Total Liabilities	<u>12,326</u>	<u>206,329</u>	
Deferred Inflow of Resources	<u>-</u>	<u>156,159</u>	-100.00%
Net Position			
Unrestricted Net Position	-	59,509	-100.00%
	<u>\$ -</u>	<u>\$ 59,509</u>	

On December 30, 2021, operations of the Foundation were discontinued. The Department of Agriculture was named successor to and assumed any remaining obligations and authority of the Foundation. As of December 30, 2021, or shortly thereafter, all equipment, assets, supplies, records, and other property of the Foundation were transferred to the Department of Agriculture or were disposed of in a lawful manner.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Six-Month Period Ended December 31, 2021
UNAUDITED

The following is a summary of the Foundation's Statement of Activities for the six-month period ended December 31, 2021 compared to the fiscal year ended June 30, 2021.

	July 1 2021 - December 31, 2021	July 1 2020 - June 30, 2021	% Change
Revenues			
Investment Income	\$ -	\$ (1,428)	-100.0%
Settlement Income	-	4,452	-100.0%
Other Income	200	-	100.0%
Total Revenues	<u>200</u>	<u>3,024</u>	
Expenses			
Salaries and Benefits	70,086	36,298	93.1%
Purchased Services	30,628	35,543	-13.8%
Materials, Supplies, and Other	8,678	31,374	-72.3%
Depreciation	-	207	-100.0%
Grants	250,983	476,649	-47.3%
Total Expenses	<u>360,375</u>	<u>580,071</u>	
Change in Net Position before Special Item	(360,175)	(577,047)	
Special Item - Discontinued Operations	300,666	-	100.0%
Change in Net Position	<u>(59,509)</u>	<u>(577,047)</u>	
Net Position, Beginning	59,509	636,556	
Net Position, Ending	<u>\$ -</u>	<u>\$ 59,509</u>	

Salaries and Benefits expense increased significantly in comparison with the prior fiscal year. This increase is the result of the recognition of a significant pension/OPEB gain, as reported by the pension systems, in fiscal year 2021. The Foundation recognized a small Pension/OPEB expense for the six-month period ended December 31, 2021.

Grants expense decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in cash and investments available for programs.

As of December 30, 2021, or shortly thereafter, all equipment, assets, supplies, records, and other property of the Foundation were transferred to the Department of Agriculture or were disposed of in a lawful manner. The Foundation recognized a special item of \$300,666 associated with the transferring of assets and liabilities to the Department of Agriculture.

**SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the Six-Month Period Ended December 31, 2021
UNAUDITED

BUDGET VARIANCES

The majority of the Foundation's assets were maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Fund 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

CAPITAL ASSETS

As of December 30, 2021, all capital assets of the Foundation were transferred to the Department of Agriculture or were disposed of in a lawful manner. See Note 4 to the basic financial statements for more detailed information regarding capital assets.

CONTACTING THE FOUNDATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the Foundation's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christopher Geyer, Chief Financial Officer, Ohio Department of Agriculture, 8995 E. Main Street Reynoldsburg, Ohio 43068.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION
As of December 31, 2021

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash	\$ 12,326	\$ —	\$ 12,326
Total Assets	<u>12,326</u>	<u>—</u>	<u>12,326</u>
Liabilities:			
Due To Department of Agriculture.....	12,326	—	12,326
Total Liabilities	<u>12,326</u>	<u>—</u>	<u>12,326</u>
Fund Balance/Net Position:			
Nonspendable - Not in Spendable Form.....	—	—	—
Restricted - Community and Economic Development.	—	—	—
Committed - Community and Economic Development	—	—	—
Assigned.....	—	—	—
Unassigned.....	—	—	—
Total Fund Balance	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities and Fund Balance	<u>\$ 12,326</u>		
Net Position:			
Net Investment in Capital Assets.....		—	—
Restricted - Community and Economic Development		—	—
Unrestricted.....		—	—
Total Net Position		<u>\$ —</u>	<u>\$ —</u>

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

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE / STATEMENT OF ACTIVITIES

For the Six-Month Period Ended December 31, 2021

	<u>Special Revenue Fund</u>	<u>Adjustments (See Note 8)</u>	<u>Statement of Activities</u>
Revenues:			
Other Income.....	\$ 200	\$ -	\$ 200
Total Revenues.....	<u>200</u>	<u>—</u>	<u>200</u>
Expenditures/Expenses:			
Current:			
Salaries and Benefits.....	59,077	11,009	70,086
Purchased Services.....	30,628	—	30,628
Materials, Supplies, and Other.....	8,678	—	8,678
Grants.....	250,983	—	250,983
Total Expenditures/Expenses.....	<u>349,366</u>	<u>11,009</u>	<u>360,375</u>
Excess of Revenues Under Expenditures Before Special Item.....	(349,166)	349,166	—
Special Item - Discontinued Operations.....	<u>(11,451)</u>	<u>312,117</u>	<u>300,666</u>
Change in Fund Balance.....	(360,617)	360,617	—
Change in Net Position.....	—	(59,509)	(59,509)
Fund Balance/Net Position:			
Beginning of the year.....	360,617	(301,108)	59,509
End of the year.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

Introduction

The Southern Ohio Agricultural and Community Development Foundation (the Foundation) was created by amended Senate Bill No. 192, effective June 2000, to "...endeavor to replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region by preparing, implementing, and keeping current a plan to develop means for tobacco growers to grow other agricultural products voluntarily..." The Bill further describes a variety of means by which the Foundation is to develop its plan and carry out its charge.

Pursuant to its legislative mandate, the Foundation's Board is created in Ohio Rev. Code Section 183.12 and is enabled through Ohio Rev. Code Sections 183.11 to 183.17, inclusive. The Foundation's Board is composed of twelve voting members and four nonvoting members as set forth in Section 183.12 of the Ohio Rev. Code. Voting members include six active farmers and two persons with community development experience, all from Ohio's major tobacco growing counties, and four state officials sitting ex officio.

Method of Operation

The Foundation shall make grants or loans to individuals, public agencies, or privately owned companies to carry out the plan. The Foundation shall also adopt rules under Chapter 119 of the Ohio Rev. Code regarding conflicts of interest in the making of grants or loans.

Upon inception of the Foundation, a separate endowment fund was created in the custody of the Treasurer of State, but not part of the State Treasury, to carry out the duties of the Foundation. The Foundation was the trustee of the endowment fund. Disbursements from the fund were paid by the Treasurer of State only upon instruments duly authorized by the Board of Trustees of the Foundation or its designee.

The endowment fund was responsible for covering administrative expenditures such as staff salaries, equipment purchases, rental payments and program expenses. As a result of the legislation defining the Foundation's employees as state employees, the State established an appropriation to provide payroll for the Foundation, which is reimbursed by the Foundation's endowment fund.

At the request of the Foundation, the Treasurer of State shall select and contract with one or more investment managers to invest all money credited to the fund that is not currently needed for carrying out the functions of the Foundation. The eligible list of investments, as well as limitations and other requirements shall be the same as for the Public Employees Retirement System under Section 145.11 of the Revised Code.

Reporting Entity

Within the State of Ohio's Comprehensive Annual Financial Report, the Southern Ohio Agricultural and Community Development Foundation is included as part of the primary government. The Foundation's management believes these financial statements present all activities for which the Foundation is financially responsible.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southern Ohio Agricultural and Community Development Foundation present the financial position and results of operations of the Foundation. The financial statements conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) documents these principles.

The Foundation follows GASB Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Under GASB Statement No. 34 the financial statements include separate Statement of Net Position and Statement of Activities columns reporting the financial activities using the accrual basis of accounting, in addition to the Governmental Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance columns reporting the financial activities using the modified accrual basis of accounting. The Foundation's other significant accounting policies are as follows.

A. Fund Accounting

The Foundation uses a governmental fund to report its financial position and results of operations. The fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The fund is established to account for all activity of the Foundation.

B. Measurement Focus and Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and certain deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenditures) in net current assets, and unassigned fund balance is a measure of available expendable resources. This measurement focus has been applied to the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements.

The "Statement of Net Position" and "Statement of Activities" columns on the accompanying financial statements have been prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The financial statements therefore present an adjustment column to identify reconciling items to arrive at the "Statement of Net Position" and the "Statement of Activities" columns.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance columns on the accompanying financial statements were prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, the Foundation recognizes revenues when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction is determinable, and “available” means the amount is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Foundation considers revenues as available when collected within 60 days after year-end.

Under the modified accrual basis, expenditures are recorded when related fund liabilities are incurred, which are recognized as expenditures when due. Significant revenue sources susceptible to accrual under the modified accrual basis of accounting may include interest income.

The “Statement of Net Position” and the “Statement of Activities” columns on the accompanying financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, expenses are recorded at the time they are incurred and revenues are recognized when measurable.

D. Budgetary Data

The majority of the Foundation’s assets were maintained in unappropriated accounts requiring no budgetary monitoring or reporting. The remaining assets of the Foundation are maintained in a governmental fund within the Ohio Administrative Knowledge System (OAKS), OAKS Funds 5M90. Although appropriated, OAKS Fund 5M90 is not a major fund, and therefore, budgetary reporting is not required.

E. Cash

Cash of the Foundation includes amounts held in OAKS Fund 5M90.

F. Capital Assets and Depreciation

It is the Foundation’s policy to capitalize all assets with an initial cost of \$1,000 or more. Capital assets are reported in the “Statement of Net Position” column, but are not reported in the “Balance Sheet” column on the accompanying Governmental Fund Balance Sheet/Statement of Net Position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

All reported capital assets of the Foundation are depreciated. Depreciation is computed using the straight-line method of depreciation over the applicable useful life of the asset and commences the year after the asset is purchased. The useful life for each asset category noted in Note 4 is 5 years.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

G. Administrative Expenditures and Accounts Payable

Administrative expenditures include operating and overhead items such as salaries and benefits, equipment purchases, and other miscellaneous expenditures.

H. Self-Insurance and Accrued Liabilities

The State of Ohio serves as the Foundation's primary government and is self-insured for claims covered under its traditional healthcare, vehicle liability, public fidelity blanket bonds, property losses, and tort liability insurance plans. Additionally, the State of Ohio participates in a public entity risk pool that covers liabilities associated with claims submitted to the Bureau of Workers' Compensation.

I. Compensated Absences

The State of Ohio, which governs employee leave benefits and policies, pays compensation to separated employees for sick, vacation, and personal leave balances accumulated during the employee's term of service.

I. Fund Balance/Net Position

In accordance with GASB Statement No. 54, *Fund Balance Reporting*, the Foundation classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The Foundation may use the following categories:

Nonspendable – resources that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact.

Restricted – resources with constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources with constraints imposed by formal action (House or Senate Bill) of the Foundation's highest level of decision making authority (State Legislature/Controlling Board).

Assigned – resources that are constrained by the Foundation's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the Foundation Board itself; or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Foundation has not adopted a policy delegating the authority to assign amounts to be used for specific purposes.

In accordance with GASB Statements No. 34 and No. 46, net position will be reported as unrestricted, except for the amount restricted for indemnification payments. The Foundation applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position/fund balance is available. The Foundation considers committed and assigned balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits - At December 31, 2021, the bank balance of the Foundation's was \$12,326. The entire bank balance was held on deposit by the State of Ohio.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the Foundation will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At December 31, 2021, the Foundation's deposits had no exposure to custodial credit risk. The Foundation does not have a policy to limit custodial credit risk.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity during the six-month period ended December 31, 2021 follows:

<u>Asset Category</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 23,111	\$ -	\$ (23,111)	\$ -
Vehicles	18,983	-	(18,983)	-
Subtotal	42,094	-	(42,094)	-
<i>Accumulated Depreciation:</i>				
Equipment	(23,111)	-	23,111	-
Vehicles	(18,983)	-	18,983	-
Subtotal	(42,094)	-	42,094	-
Net Capital Assets	\$ -	\$ -	\$ -	\$ -

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the six-month period ended December 31, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Compensated Absences	\$ 4,798	\$ 571	\$ (5,369)	\$ -
Net Pension Liability	180,804	-	(180,804)	-
Total	\$ 185,602	\$ 571	\$ (186,173)	\$ -

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

NOTE 6 - LEASES

The Foundation has entered into an operating lease for office space. The current lease agreement commenced on July 1, 2015 and ended on June 30, 2017 at an annual rate of \$21,747. According to the Foundation’s lease agreement for office space, provided the Foundation is in compliance with the existing terms of the contract, the Foundation has the option to renew the lease for up to three successive and continuous terms of two years each upon the same terms and conditions except that the base rent during said renewal terms will be negotiated in good faith by both parties. In March 2017, the Foundation renewed the lease for the same annual rate for another two years. In March 2019, the Foundation renewed the lease for the same annual rate for another two years.

In May 2021, the Foundation exercised the option to holdover for a period not to exceed six months, and under the same terms and conditions. The Foundation vacated the leased property at the end of September 2021. For the six-month period ended December 31, 2021, total operating leases expenses for the office space was \$5,437.

NOTE 7 - CONTINGENCIES

As of December 31, 2021, the Foundation’s management, in consultation with the Ohio Attorney General’s Office was unaware of any pending litigation which could result in a material unfavorable outcome requiring amounts to be reported or disclosed in the Foundation’s financial statements.

NOTE 8 - EXPLANATION OF ADJUSTMENTS

The following is a detailed description of the amounts included in the “Adjustments” column of the accompanying financial statements:

Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Special Revenue Fund column.

Compensated Absences \$571

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Pension Contributions - Pension \$10,438

A portion of the special item reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as a special item in the Special Revenue Fund.

\$312,117

SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Six-Month Period Ended December 31, 2021

NOTE 9 – SPECIAL ITEM – DISCONTINUED OPERATIONS

In accordance with Section 518.30 of House Bill 110, on December 30, 2021, operations of the Foundation were discontinued. The department of Agriculture was named successor to and assumed any remaining obligations and authority of the Foundation.

As of December 30, 2021, or shortly thereafter, all equipment, assets, supplies, records, and other property of the Foundation were transferred to the Department of Agriculture or were disposed of in a lawful manner. The Foundation recognized a special item of \$300,666 associated with the transferring of assets and liabilities to the Department of Agriculture.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Southern Ohio Agricultural and Community Development Foundation
8995 East Main Street
Reynoldsburg, Ohio 43068

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, the financial statements of the governmental activities and the special revenue fund of the Southern Ohio Agricultural and Community Development Foundation, (the Foundation), a department of the State of Ohio, as of and for the six-month period ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated May 30, 2023, wherein we noted the Foundation discontinued operations.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing the 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

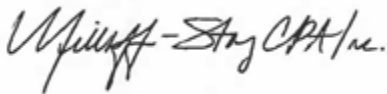
Southern Ohio Agricultural and Community Development Foundation
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

May 30, 2023

OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN OHIO AGRICULTURAL AND COMMUNITY DEVELOPMENT FOUNDATION

HIGHLAND 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 7/13/2023

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