



OHIO AUDITOR OF STATE
KEITH FABER



**MUSKINGUM COUNTY SOIL AND WATER CONSERVATION DISTRICT
MUSKINGUM COUNTY
DECEMBER 31, 2022 AND 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2022	5
Notes to the Financial Statements For the Year Ended December 31, 2022	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2021	15
Notes to the Financial Statements For the Year Ended December 31, 2021	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Schedule of Findings.....	27

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Muskingum County Soil and Water Conservation District
Muskingum County
225 Underwood Street, Suite 100
Zanesville, Ohio 43701

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 Muskingum County Soil and Water Conservation District, Muskingum 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 August 21, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 21, 2024

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Muskingum County Soil and Water Conservation District
Muskingum 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	\$0	\$201,961	\$22,167	\$224,128
State Government	0	190,224	16,827	207,051
Federal Government	0	0	13,700	13,700
Gifts and Contributions	1,208	0	0	1,208
Sale of Products/Materials	24,120	0	0	24,120
Rentals	3,308	0	0	3,308
All Other Revenue	13,360	59,824	0	73,184
<i>Total Cash Receipts</i>	<u>41,996</u>	<u>452,009</u>	<u>52,694</u>	<u>546,699</u>
Cash Disbursements				
Salaries	0	258,212	0	258,212
Supplies	1,226	3,076	5,049	9,351
Equipment	2,531	33,901	7,757	44,189
Contract Repairs	0	1,469	0	1,469
Contract Services/Cost Share Payment	744	12,575	12,955	26,274
Rentals	0	21,930	0	21,930
Service Fees	166	3,136	0	3,302
Information and Education	3,603	1,410	1,187	6,200
Travel and Expenses	3,929	6,829	0	10,758
Advertising and Printing	968	11,724	1,024	13,716
OPERS	0	35,987	0	35,987
Worker's Compensation	0	1,347	0	1,347
Hospitalization	0	67,471	0	67,471
Medicare	0	3,542	0	3,542
Product/Materials for Resale	15,584	0	0	15,584
Vehicle Rental/Liability Insurance	0	2,673	0	2,673
Other	10,256	100	19,430	29,786
<i>Total Cash Disbursements</i>	<u>39,007</u>	<u>465,382</u>	<u>47,402</u>	<u>551,791</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,989</u>	<u>(13,373)</u>	<u>5,292</u>	<u>(5,092)</u>
Other Financing Receipts (Disbursements)				
Transfers In	17,404	13,769	0	31,173
Transfers Out	(12,569)	0	(18,604)	(31,173)
Other Financing Sources	194	0	0	194
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,029</u>	<u>13,769</u>	<u>(18,604)</u>	<u>194</u>
<i>Net Change in Fund Cash Balances</i>	8,018	396	(13,312)	(4,898)
<i>Fund Cash Balances, January 1</i>	<u>405,602</u>	<u>96,705</u>	<u>49,203</u>	<u>551,510</u>
<i>Fund Cash Balances, December 31</i>	<u>\$413,620</u>	<u>\$97,101</u>	<u>\$35,891</u>	<u>\$546,612</u>

See accompanying notes to the basic financial statements

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District participates in several public entity risk pools. Note 6 to the financial statements provides additional information for these risk pools.

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.

It is noted that in 2021, the bank statements indicated that the District Fund had \$40 more than what QuickBooks accounting software had entered in it. The Administrator, several other staff members, and the ODA Program Specialist spent hours reviewing every item to see what might have been missed being entered in QuickBooks, but nothing was found. It was possible that because Sage software had been used for part of 2020, the was replaced by QuickBooks after Sage crashed, that something probably just didn't transfer to the new software. It was decided that enough time had been used to try to find \$40 that no additional time would be spent trying to locate it. That \$40 was carried over into the 2022 report.

When completing the 2022 report, the amount for QuickBooks was short \$196. It was discovered that the beginning balance in QuickBooks did not match the 2021 ending balance on the annual financial report. Upon further research of the issue, it was noted that we had voided out several checks in 2021 and 2022 that were written in the year prior to when they were voided. QuickBooks voids the check in the year it

Muskingum County Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2022

was written, not the year it was voided out, so that affected the beginning balance and therefore our annual report. The checks were:

Check Number	Amount	Date Written	Date Voided
5538	\$54.00	8/10/2021	11/8/2022
5495	\$12.00	5/11/2021	3/15/2022
5444	\$57.00	11/10/2020	9/14/2021
5197	\$31.00	7/9/2019	2/11/2020

The four checks total \$154.00, and with the addition of the \$40 (as described above), that brings the total adjustment to be made \$194.00. With that bringing it to a \$2.00 difference, it was decided that no additional time would be spent looking for the \$2.00. The sum of \$194 has been entered on the annual financial report under “Other Financing Receipts (Disbursements)” section, under “Other Funding Resources”, per an email from Richard Cunningham dated February 16, 2023.

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 has/had the following significant Other Funds in 2022, which have been broken out on the 2022 Annual Financial statement:

- AEP Stream Fence Grant – funds for cost-share on stream fencing projects
- OFBF Ag Awareness Grant – funds for Urban Green program personnel and education
- OFB Water Quality Grant – funds for water quality study and final products
- MWCD Cover Crop Program – funds for cover crop cost share
- RCPP Funds – reimbursement for work done for the RCPP agreement
- Straker Foundation Grant – funds for Conservation School
- Straker Foundation Grant – funds for a water quality bus trip to the Chesapeake Bay area
- NACD Urban Agriculture Grant – funds to support the Urban Agriculture program, including salary and benefits for seasonal, part-time Garden Coordinators
- MCCF Grant – funds for supplies for the Urban Agriculture programs
- The Energy Cooperative Veterans’ Grant – funds to be used for excavation and installation of the new Veterans’ Garden site at Brighton Grows Garden
- Fall 22 Straker Foundation Grant – funds for supplies and equipment for the Urban Agriculture 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.

Muskingum County Soil and Water Conservation District
Muskingum 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 “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 2022 budgetary activity appears in Note 4.

Deposits and Investments

The Muskingum 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 Muskingum County Treasurer Todd Hixson, 401 Main Street, Zanesville, Ohio 43701, phone: 740-455-7118, email: treasurer@muskingumcounty.org.

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, all funds are located in depository accounts that include a checking account, a savings account, a public funds insured cash sweep money market account (ICS-MMA) and a Certificate of Deposit. Based on information from our financial institution, we believe the ICS-MMA to be a deposit account since the account is not collateralized (because it is FDIC insured) and it is not a repurchase account.

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 GASB87) with the Muskingum County Commissioners, relative to our office space and the utilities for such, as well as shared space within the building. The lease may be terminated by either party with 60 days written notice. Lease disbursements are recognized when they are paid.

Muskingum County Soil and Water Conservation District

Muskingum 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, the nonspendable fund balance does NOT include unclaimed monies; our Board has had a policy (7.08) in place, since 2005, that permits the unclaimed district fund checks to be cleared from the books after six months

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 general fund is limited to encumbrance 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 10.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Fund by \$77,769 for the year ended December 31, 2022.

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

Note 4 – 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	\$461,886	\$465,778	\$3,892

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$388,583	\$466,352	(\$77,769)

The numbers listed above do not include the special fund cash balance as of January 1, 2022, which was \$96,703.

Note 5 – Deposits

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

	2022
Demand deposits	\$39,104
Certificates of deposit	50,000
Other time deposits (savings and NOW accounts)	360,407
County Treasurer Deposits	97,101
Total deposits	546,612

Deposits

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. The District has accounts with two financial institutions that are participating in OPCS. The District has an account with one financial institution utilizing Federal Home Loan Bank to pledge collateralization.

Deposits are insured by the Federal Depository Insurance Corporation; or they are collateralized by a deposit pool of securities for the amounts the \$250,000 FDIC insurance; 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.

Muskingum County Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2022

At December 31, 2022, all deposits were insured or collateralized.

Based on information from our financial institution, we believe the District's public entity ICS-MMA to be a deposit account. The account is not collateralized because it is FDIC insured and it is not a repurchase account. The District fund maintains deposit accounts only (there are no investment accounts).

Note 6 - Risk Management

Risk Pool Membership

Workers' Compensation

Workers' Compensation coverage is provided through Muskingum County. Muskingum County participates in a group program through the State Workers' Compensation System. Muskingum County pays the premium and the District is charged back their portion, which is a percentage of salaries and contract services. The percentage is determined annually by BWC. Beginning in 2016, Workers' Comp began prospective billing, in which they collect premiums before extending coverage. The district received the 2023 chargeback of \$1347.02 in November 2022, and a refund of \$2477.97 (retro self-insurance distribution 2012) on November 28, 2022. Both of these amounts are included in the 2022 financial report.

Risk Management - Insurance

Muskingum Soil and Water Conservation District is covered under Muskingum County for Risk Management. Muskingum County participates with CORSA, a member-owned property and liability risk sharing pool sponsored by the County Commissioners Association of Ohio (CCAO). CORSA currently insures 66 of the 88 counties in Ohio and 42 county related entities.

Muskingum County carries a \$5,000 deductible. The Policy Year is May 1st – April 30th of each year. 2021/2022 and 2022/2023 coverage includes but may not be limited to:

- General Liability – Limit of \$1,000,000 each Occurrence. No annual aggregate.
- Law Enforcement Liability - \$1,000,000 each Occurrence
- Automobile Liability – Limit of \$1,000,000 per loss
- Errors & Omissions Liability – Limit of \$1,000,000 per loss. \$1,000,000 annual aggregate. \$100,000 each occurrence Back Wages
- Ohio Stop GAP Employers' Liability - \$1,000,000 each Occurrence
- Employee Benefits Liability - \$1,000,000 each Occurrence
- Cyber Liability - \$1,000,000 each Occurrence; \$1,000,000 annual aggregate
- Attorney Disciplinary Proceedings - \$25,000 each Occurrence; \$25,000 annual aggregate
- Declaratory Injunctive or Equitable Relief – \$25,000 each Occurrence; \$25,000 annual aggregate
- Excess Liability –
 - \$7,000,000 each Occurrence; No annual aggregate with respect to General Liability, Law Enforcement Liability, and Automobile Liability
 - \$7,000,000 each Occurrence; \$7,000,000 annual aggregate with respect to Errors and Omissions Liability

Muskingum County Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2022

-
- \$2,000,000 each Occurrence; No annual aggregate with respect to Ohio Stop Gap Employers Liability

Financial Position

CCAO Finance Manager prepares CORSA's financial statements. The Ohio State Auditor reviews and certifies the audit.

	April 30, 2021	April 30, 2022
Assets	\$151,054,939	\$137,285,896
Liabilities	\$50,499,878	\$53,364,336
Net Position	\$100,555,061	\$83,921,561

Muskingum Soil and Water Conservation District is charged back annually for their portion of the portion of the CORSA annual premium. The basis of the allocation is determined annually, generally in May, and is based on a percentage of their Property Values, Automobile (if any), and Department Payroll.

Self-Insurance

Health Insurance Plan

Muskingum Soil and Water Conservation District employees that are full time are eligible to participate in the Muskingum County Benefit Plans under a Section 125 Plan. Full time employment is defined as those employees with regular scheduled hours of 30 or more hours per week.

Health Insurance

Muskingum County is self-insured for medical insurance and offers the following coverage options:

- Silver Plan – PPO plan with deductible and co-insurance.
- High Deductible Plan/HSA

Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually prior to the annual open enrollment based on the prior year's Plan performance and administrative costs.

Dental Insurance

Muskingum County is self-insured for dental insurance and offers a traditional dental plan. Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually prior to the annual open enrollment based on the prior year's Plan performance and administrative costs.

Vision Insurance

Muskingum County offers vision insurance through a fully insured product with Vision Service Plan. Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually at renewal.

Muskingum County Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2022

Life Insurance

Muskingum County offers life insurance to full time employees at no cost to the employee in the amount of \$25,000. Muskingum Soil and Water Conservation District is charged back monthly for the Employer cost of the premium.

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% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2022.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2022</i>	<i>10%</i>	<i>14%</i>

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a 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 the calendar year 2022.

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

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal and state governments. 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.

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

Note 10 – Fund Balances

Included in fund balance are amounts the District cannot spend. It is noted that the District does not have unclaimed funds because the Board has a policy (7.08) in place (since 2005) that permits the unclaimed district fund checks to be cleared from the books after six months. At the time of this report there were five (5) checks outstanding, for a total of \$7,872.07. 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 balance of these amounts were as follows:

Fund Balances	Special	District	Other Funds	Total
Nonspendable:				
Unclaimed Monies	\$0	\$7,872	\$0	\$7,872
Outstanding Encumbrances	973	0	35,894	36,867
Total	\$973	\$7,872	\$35,894	\$44,739

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 general fund outstanding encumbrances are considered assigned.

Note 11 – COVID-19

The United State and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. During 2022, the District received no COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Muskingum County Soil and Water Conservation District

Muskingum 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	\$0	\$217,572	\$27,400	\$244,972
State Government	0	197,163	9,589	206,752
Federal Government	0	0	300	300
Gifts and Contributions	2,302	0	0	2,302
Sale of Products/Materials	19,746	0	0	19,746
Rentals	4,481	0	0	4,481
All Other Revenue	7,410	5,287	0	12,697
<i>Total Cash Receipts</i>	<u>33,939</u>	<u>420,022</u>	<u>37,289</u>	<u>491,250</u>
Cash Disbursements				
Salaries	0	245,118	250	245,368
Supplies	(691)	1,811	2,483	3,603
Equipment	89	1,147	0	1,236
Contract Repairs	0	442	0	442
Contract Services/Cost Share Payment	(864)	11,585	9,424	20,145
Rentals	0	21,930	0	21,930
Service Fees	96	2,914	0	3,010
Information and Education	12,617	4,859	0	17,476
Travel and Expenses	693	4,548	0	5,241
Advertising and Printing	669	5,869	1,521	8,059
OPERS	0	34,309	35	34,344
Worker's Compensation	0	2,511	4	2,515
Hospitalization	0	82,176	8	82,184
Medicare	0	3,297	3	3,300
Product/Materials for Resale	15,182	0	0	15,182
Vehicle Rental/Liability Insurance	0	1,788	0	1,788
Annual Meeting/Banquet	1,620	0	0	1,620
Other	5,624	0	0	5,624
<i>Total Cash Disbursements</i>	<u>35,035</u>	<u>424,304</u>	<u>13,728</u>	<u>473,067</u>
<i>Net Change in Fund Cash Balances</i>	(1,096)	(4,282)	23,561	18,183
<i>Fund Cash Balances, January 1</i>	<u>406,698</u>	<u>100,987</u>	<u>25,642</u>	<u>533,327</u>
<i>Fund Cash Balances, December 31</i>	<u>\$405,602</u>	<u>\$96,705</u>	<u>\$49,203</u>	<u>\$551,510</u>

See accompanying notes to the basic financial statements

Muskingum Soil and Water Conservation District
Muskingum 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 Muskingum Soil and Water Conservation District, Muskingum 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.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District participates in several public entity risk pools. Note 5 to the financial statements provides additional information for these risk pools.

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 has/had the following significant Other Funds in 2021, which have been broken out on the 2021 Annual Financial statement:

- AEP Stream Fence Grant – funds for cost-share on stream fencing projects
- OFBF Ag Awareness Grant – funds for Urban Green program personnel and education
- OFB Water Quality Grant – funds for water quality study and final products
- MWCD Cover Crop Program – funds for cover crop cost share
- RCPP Funds – reimbursement for work done for the RCPP agreement
- MWCD Education Grant – funds for a water educational display
- Straker Foundation Grant – funds for Conservation School
- Straker Foundation Grant – funds for a water quality bus trip to the Chesapeake Bay area

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

- City of Zanesville Neighborhood Grant – funds to establish the Rural Services Building Pollinator Garden to be used as demonstration and educational garden

It is noted that, for 2021, the bank statements indicate that the District Fund should have \$40 more than what QuickBooks (accounting software) has entered into it. The Administrator and several other staff members, including our ODA Program Specialist, spent hours reviewing every item to see what might have been missed being entered in QuickBooks, but could not find anything. It was decided that enough time had been used to try to find \$40 and no additional time should be spent trying to locate it.

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 “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 Muskingum 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 Muskingum County Treasurer Todd Hixson, 401 Main Street, Zanesville, Ohio 43701, phone: 740-455-7118, email: treasurer@muskingumcounty.org.

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.

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

For the District Fund, all funds are located in depository accounts that include a checking account, a savings account, and a public funds insured cash sweep money market account (ICS-MMA). Based on information from our financial institution, we believe the ICS-MMA to be a deposit account since the account is not collateralized (because it is FDIC insured) and it is not a repurchase account.

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, the nonspendable fund balance does NOT include unclaimed monies; our Board has had a policy (7.08) in place, since 2005, that permits the unclaimed district fund checks to be cleared from the books after six months

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***. Funds other than the special and district funds report all fund balances as ***assigned*** unless they are restricted or committed. In the special and district funds, ***assigned*** amounts represent intended uses established by District Supervisors or a District official delegated that authority by resolution, or by State Statute. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrance 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.

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

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:

2021 Budgeted vs. Actual Receipts			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Special	\$418,021	\$420,022	\$2,001

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Special	\$437,547	\$425,238	\$12,309

The numbers listed above do not include the special fund cash balance as of January 1, 2021, which was \$100,987.

Note 4 – Deposits

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

	<u>2021</u>
Demand deposits	\$47,482
Other time deposits (savings and NOW accounts)	407,323
County Treasurer Deposits	96,705
Total deposits	<u>551,510</u>

Deposits

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. The District has accounts with one financial institution that is participating in OPCS.

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

Deposits are insured by the Federal Depository Insurance Corporation; or they are collateralized by a deposit pool of securities for the amounts over the \$250,000 FDIC insurance; 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.

At December 31, 2021, all deposits were insured or collateralized.

Based on information from our financial institution, we believe the District's public entity ICS-MMA to be a deposit account. The account is not collateralized because it is FDIC insured and it is not a repurchase account. The District fund maintains deposit accounts only (there are no investment accounts).

Note 5 - Risk Management

Risk Pool Membership

Workers' Compensation

Workers' Compensation coverage is provided through Muskingum County. Muskingum County participates in a group program through the State Workers' Compensation System. Muskingum County pays the premium and the District is charged back their portion, which is a percentage of salaries and contract services. The percentage is determined annually by BWC. Beginning in 2016, Workers' Comp began prospective billing, in which they collect premiums before extending coverage. The district received the 2022 chargeback of \$2,515.47 on November 16, 2021 and refunds of \$1,862.52 (retro self-insurance distribution 2010) on July 2, 2021 and \$2,050.38 (retro self-insurance distribution 2011) on December 1, 2021. All three of these amounts are included in the 2021 financial report.

Risk Management - Insurance

Muskingum Soil and Water Conservation District is covered under Muskingum County for Risk Management. Muskingum County participates with CORSA, a member-owned property and liability risk sharing pool sponsored by the County Commissioners Association of Ohio (CCAO). CORSA currently insures 66 of the 88 counties in Ohio and 42 county related entities.

Muskingum County carries a \$5,000 deductible. The Policy Year is May 1st – April 30th of each year. 2020/2021 and 2021/2022 coverage includes but may not be limited to:

- General Liability – Limit of \$1,000,000 each Occurrence. No annual aggregate.
- Law Enforcement Liability - \$1,000,000 each Occurrence
- Automobile Liability – Limit of \$1,000,000 per loss
- Errors & Omissions Liability – Limit of \$1,000,000 per loss. \$1,000,000 annual aggregate.
\$100,000 each occurrence Back Wages
- Ohio Stop GAP Employers' Liability - \$1,000,000 each Occurrence
- Employee Benefits Liability - \$1,000,000 each Occurrence
- Cyber Liability - \$1,000,000 each Occurrence; \$1,000,000 annual aggregate
- Attorney Disciplinary Proceedings - \$25,000 each Occurrence; \$25,000 annual aggregate
- Declaratory Injunctive or Equitable Relief – \$25,000 each Occurrence; \$25,000 annual aggregate

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

-
- Excess Liability –
 - \$7,000,000 each Occurrence; No annual aggregate with respect to General Liability, Law Enforcement Liability, and Automobile Liability
 - \$7,000,000 each Occurrence; \$7,000,000 annual aggregate with respect to Errors and Omissions Liability
 - \$2,000,000 each Occurrence; No annual aggregate with respect to Ohio Stop Gap Employers Liability

Financial Position

CCAO Finance Manager prepares CORSA’s financial statements. The Ohio State Auditor reviews and certifies the audit.

	April 30, 2020	April 30, 2021
Assets	\$142,264,663	\$151,054,939
Liabilities	\$47,825,390	\$50,499,878
Net Position	\$94,439,273	\$100,555,061

Muskingum Soil and Water Conservation District is charged back annually for their portion of the portion of the CORSA annual premium. The basis of the allocation is determined annually, generally in May, and is based on a percentage of their Property Values, Automobile (if any), and Department Payroll.

Self-Insurance

Health Insurance Plan

Muskingum Soil and Water Conservation District employees that are full time are eligible to participate in the Muskingum County Benefit Plans under a Section 125 Plan. Full time employment is defined as those employees with regular scheduled hours of 30 or more hours per week.

Health Insurance

Muskingum County is self-insured for medical insurance and offers the following coverage options:

- Silver Plan – PPO plan with deductible and co-insurance.
- High Deductible Plan/HSA

Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually prior to the annual open enrollment based on the prior year’s Plan performance and administrative costs.

Dental Insurance

Muskingum County is self-insured for dental insurance and offers a traditional dental plan. Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually prior to the annual open enrollment based on the prior year’s Plan performance and administrative costs.

Muskingum Soil and Water Conservation District

Muskingum County

Notes to the Financial Statements

For the Year Ended December 31, 2021

Vision Insurance

Muskingum County offers vision insurance through a fully insured product with Vision Service Plan. Employees are charged a percentage of the premium and Muskingum Soil and Water Conservation District is charged back monthly for the Employer portion of the premium. The premium is determined annually at renewal.

Life Insurance

Muskingum County offers life insurance to full time employees at no cost to the employee in the amount of \$25,000. Muskingum Soil and Water Conservation District is charged back monthly for the Employer cost of the premium.

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% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2021.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2021</i>	<i>10%</i>	<i>14%</i>

Note 7 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a 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 the 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 and state governments. 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.

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

Note 9 – Fund Balances

Included in fund balance are amounts the District cannot spend. It is noted that the District does not have unclaimed funds because the Board has a policy (7.08) in place (since 2005) that permits the unclaimed district fund checks to be cleared from the books after six months. At the time of this report there were four (4) checks outstanding, for a total of \$1,060.60. 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 balance of these amounts were as follows:

Fund Balances	Special	District	Other Funds	Total
Nonspendable:				
Unclaimed Monies	\$0	\$1,061	\$0	\$1,061
Outstanding Encumbrances	632	0	25,642	26,274
Total	\$632	\$1,061	\$25,642	\$27,334

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 general fund outstanding encumbrances are considered assigned.

Note 10 – COVID-19

The United State and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021, while the national state of emergency continues. During 2021, the District received no COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods if any, cannot be determined. In addition, the impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Muskingum County Soil and Water Conservation District
Muskingum County
225 Underwood Street, Suite 100
Zanesville, Ohio 43701

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 the Muskingum County Soil and Water Conservation District, Muskingum 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 August 21, 2024, 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

District's Response to Findings

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

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

August 21, 2024

**MUSKINGUM COUNTY SOIL AND WATER CONSERVATION DISTRICT
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2022-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District's Special Fund had expenditures in excess of appropriations of \$77,769, as of December 31, 2022.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Appropriation amendments should be approved by the Board. Additionally, the Administrator should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2022-002

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.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system for the Special Fund. The District reported appropriations within the Notes to the Financial Statements in the amounts of \$548,786 and \$491,997 for 2022 and 2021, respectively. However, authorized budgetary measures were in amounts of \$388,583 and \$437,547 in 2022 and 2021, respectively. The differences were a result of the District failing to obtain Board approval for appropriation revisions posted to the accounting system.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

**MUSKINGUM COUNTY SOIL AND WATER CONSERVATION DISTRICT
MUSKINGUM COUNTY**

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

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

FINDING NUMBER 2022-002 (Continued)

Material Weakness (Continued)

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the District should post to the ledgers, on a timely basis, appropriations approved by the Board. The District should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers as approved by the Board.

FINDING NUMBER 2022-003

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.

For the fiscal year ending December 31, 2022, the following misstatements were noted:

- Grant revenue in the amount of \$38,997 was reported on the financial statements as All Other Revenue for Other Funds, rather than Grants-Local Government in the amount of \$22,170 and Grants-State Government in the amount of \$16,827;
- Beginning fund balance on the annual financial report filed in the Hinkle system for the District Fund and Other Funds did not agree to the December 31, 2021 fund balance, resulting in the beginning fund balance for the District Fund being overreported by \$49,203 and the beginning fund balance for Other Funds being underreported by \$49,203.

For the fiscal year ending December 31, 2021, the following misstatements were noted:

- Grant revenue in the amount of \$34,489 was reported on the financial statements as All Other Revenue for Other Funds, rather than Grants-Local Government in the amount of \$24,900 and Grants-State Government in the amount of \$9,589.

We also identified other insignificant errors ranging from \$798 to \$1,341.

Audit adjustments, with which management has agreed, are reflected in the accompanying financial statements. Incorrect financial statement account classifications and balances could result in inaccurate reporting of the District's financial information.

The Administrator should review guidance for proper classification and take additional care in posting activity to the annual financial report in order to ensure the District's year-end financial statements reflect the appropriate sources and uses of the District's receipts and disbursements and accurate fund balances.

Officials' Response: As a response to the Schedule of Findings related to the financial statements, regarding Finding Numbers 2022-001 and 2022-002, I would like it noted that the matters of appropriations that were not formally Board approved will be corrected going forward (2024). In regard to Finding Number 2022-003, going forward on the 2024 Annual Financial Report, grants that were indicated in All Other Revenue for Other funds will be recorded under either Grants – Local or Grants – State, as appropriate.

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM COUNTY SOIL AND WATER CONSERVATION DISTRICT

MUSKINGUM 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 9/3/2024

65 East State 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