



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT
MERCER COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2022 - 2021**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Supervisors
Mercer County Soil and Water Conservation District
220 West Livingston, Suite 1
Celina, Ohio 45822

We have reviewed the *Independent Auditor's Report* of the Mercer County Soil and Water Conservation District, Mercer County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2021 through December 31, 2022. 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 Mercer County Soil and Water Conservation District 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

July 19, 2023

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MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT
MERCER COUNTY

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INDEPENDENT AUDITOR'S REPORT

Mercer County Soil and Water Conservation District
Mercer County
220 W. Livingston Suite 1
Celina, Ohio 45822

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 Mercer County Soil and Water Conservation District, Mercer 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 May 31, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

May 31, 2023

**MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT
MERCER COUNTY**

**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	Totals (Memorandum Only)
Cash Receipts				
Grants				
Local Government	\$ -	\$ 262,000	\$ -	\$ 262,000
State Government	125,478	221,003	2,033,285	2,379,766
Gifts and Contributions	4,422	-	-	4,422
Sale of Products/Materials	6,175	-	-	6,175
All Other Revenue	5,345	74,881	6,624	86,850
Total Cash Receipts	141,420	557,884	2,039,909	2,739,213
Cash Disbursements				
Salaries	-	371,005	-	371,005
Supplies & Postage	1,999	656	-	2,655
Equipment	-	68,217	-	68,217
Contract Repairs	-	5,308	-	5,308
Contract Services/Cost Share Payment	72,164	66,221	885,460	1,023,845
Rentals & Utilities	-	12,386	-	12,386
Information and Education	4,221	-	-	4,221
Travel and Expenses	1,744	11,106	-	12,850
Advertising and Printing	642	1,640	-	2,282
OPERS	-	50,686	-	50,686
Worker's Compensation	-	3,831	-	3,831
Hospitalization	-	61,533	-	61,533
Medicare	-	5,191	-	5,191
Annual Meeting/Banquet	2,636	-	-	2,636
Other	12,049	10,392	-	22,441
Total Cash Disbursements	95,455	668,172	885,460	1,649,087
Excess of Receipts Over (Under) Disbursements	45,965	(110,288)	1,154,449	1,090,126
Other Financing Receipts (Disbursements)				
Transfers In	101,081	59,975	36,878	197,934
Transfers Out	(96,853)	-	(101,081)	(197,934)
Other Financing Sources	360	-	-	360
Other Financing Uses	(347)	-	-	(347)
Total Other Financing Receipts (Disbursements)	4,241	59,975	(64,203)	13
Net Change in Fund Cash Balances	50,206	(50,313)	1,090,246	1,090,139
Fund Cash Balances, January 1	816,471	147,326	2,771,396	3,735,193
Fund Cash Balances, December 31	\$ 866,677	\$ 97,013	\$ 3,861,642	\$ 4,825,332

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

Mercer County Soil and Water Conservation District
Mercer 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 Mercer County Soil and Water Conservation District, Mercer County, (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

H2Ohio Fund State program in which producers receive payments for conservation practices; also pays payroll and benefits of the H2Ohio technician position.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Mercer County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the Mercer County Treasurer. Mercer County Treasurer, Dave Wolters, 101 North Main Street, Room 201, Celina, Ohio 45822. Phone number is (419) 586-2259.

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

Capital Assets

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

Accumulated Leave

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

Leases

The District is the lessee in various leases (as defined by GASB 87) related to office space and equipment under cancelable leases. Lease disbursements are recognized when they are paid. We lease a copier and associated equipment and rent our office space from the county commissioners.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Unassigned Unassigned fund balance is the residual classification for the special and district funds and includes amounts not included in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 3– Special Fund Budgetary Activity

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

2022 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 686,850	\$ 617,859	\$ (68,991)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$ 783,783	\$ 669,290	\$ 114,493

Note 4 – Deposits and Investments

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

	2022
Demand deposits	\$ 2,170,358
Certificates of Deposits	2,557,861
County Treasurer Deposits	97,013
Cash on Hand	100
Total deposits	\$ 4,825,332

Deposits

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

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

Note 5 – Risk Management

Workers' Compensation

The District, through Mercer County as their fiscal agent, participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group retrospective rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. As a member employer, the county pays its individual experience-rated premium to the Ohio BWC. The "standard premium" of the group is the total of the individual premiums of its group members. Pursuant to OAC Chapter 4123-17, the BWC will evaluate the premium rates for the group. This calculation is done 12, 24, and 36 months after the end of the policy year. If the retrospective premium is lower than the standard premium, group members will receive a rebate of the difference. If the retrospective premium is higher, each group member will be charged an assessment to cover the shortfall. Since its inception, the performance of the group has been favorable and the county has continually received rebates under this program.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

The District has vehicle insurance covered through the Mercer County's self-insurance program.

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2022.

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2022.

Note 8 – Contingent Liabilities

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

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

Note 9 – Fund Balances

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

<u>Fund Balances</u>	<u>Special</u>
Outstanding Encumbrances	\$ 1,118
Total	<u>\$ 1,118</u>

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

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2022 while the national state of emergency continues. During 2022, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT
MERCER COUNTY**

**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	Totals (Memorandum Only)
Cash Receipts				
Grants				
Local Government	\$ -	\$ 244,430	\$ -	\$ 244,430
State Government	186,966	286,820	2,170,514	2,644,300
Federal Government	-	-	3,280	3,280
Gifts and Contributions	1,650	-	-	1,650
Sale of Products/Materials	8,373	-	-	8,373
All Other Revenue	72,682	230	8,820	81,732
<i>Total Cash Receipts</i>	<u>269,671</u>	<u>531,480</u>	<u>2,182,614</u>	<u>2,983,765</u>
Cash Disbursements				
Salaries	-	330,147	31,788	361,935
Supplies	1,526	1,864	-	3,390
Equipment	-	10,537	-	10,537
Contract Repairs	-	4,773	-	4,773
Contract Services/Cost Share Payment	189,443	3,959	210,084	403,486
Rentals	-	15,474	-	15,474
Service Fees	-	3,923	-	3,923
Information and Education	2,470	-	-	2,470
Travel and Expenses	1,839	4,419	-	6,258
Advertising and Printing	-	17	244	261
OPERS	-	42,375	4,614	46,989
Worker's Compensation	-	2,772	46	2,818
Hospitalization	-	55,616	9,158	64,774
Medicare	-	4,583	422	5,005
Product/Materials for Resale	4,938	-	-	4,938
Other	27,130	5,830	22,685	55,645
<i>Total Cash Disbursements</i>	<u>227,346</u>	<u>486,289</u>	<u>279,041</u>	<u>992,676</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42,325</u>	<u>45,191</u>	<u>1,903,573</u>	<u>1,991,089</u>
Other Financing Receipts (Disbursements)				
Transfers In	2,481	36,878	26,493	65,852
Transfers Out	-	(26,493)	(39,359)	(65,852)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,481</u>	<u>10,385</u>	<u>(12,866)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	44,806	55,576	1,890,707	1,991,089
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>771,665</u>	<u>91,750</u>	<u>880,689</u>	<u>1,744,104</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 816,471</u>	<u>\$ 147,326</u>	<u>\$ 2,771,396</u>	<u>\$ 3,735,193</u>

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

Mercer County Soil and Water Conservation District
Mercer 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 Mercer County Soil and Water Conservation District, Mercer County, (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

H2Ohio Fund State program in which producers receive payments for conservation practices; also pays payroll and benefits of the H2Ohio technician position.

Area IV Envirothon - Envirothon funds, account closed and transferred to Preble County September of 2021. See supporting Financial Statements.

18 (h) – EPA 10 - Cost Share account used in full and closed July of 2021. See supporting Financial Statements.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Mercer County Treasurer is the custodian for the District's Special Fund's cash and investments. The County's cash and investment holds the District's Special Fund's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the Mercer County Treasurer. Mercer County Treasurer, Dave Wolters, 101 North Main Street, Room 201, Celina, Ohio 45822. Phone number is (419) 586-2259.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District.

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Unassigned Unassigned fund balance is the residual classification for the special and district funds and includes amounts not included in the other classifications. In other funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 3– Special Fund Budgetary Activity

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

2021 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$ 590,860	\$ 568,358	\$ (22,502)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$ 589,595	\$ 513,715	\$ 75,880

Note 4 – Deposits and Investments

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

	2021
Demand deposits	\$ 3,530,072
Certificates of Deposits	57,775
County Treasurer Deposits	147,326
Cash on Hand	20
Total deposits	\$ 3,735,193

Deposits

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

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

Note 5 – Risk Management

Workers' Compensation

The District, through Mercer County as their fiscal agent, participated in the County Commissioners Association of Ohio Service Corporation, a workers' compensation group retrospective rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. As a member employer, the county pays its individual experience-rated premium to the Ohio BWC. The "standard premium" of the group is the total of the individual premiums of its group members. Pursuant to OAC Chapter 4123-17, the BWC will evaluate the premium rates for the group. This calculation is done 12, 24, and 36 months after the end of the policy year. If the retrospective premium is lower than the standard premium, group members will receive a rebate of the difference. If the retrospective premium is higher, each group member will be charged an assessment to cover the shortfall. Since its inception, the performance of the group has been favorable and the county has continually received rebates under this program.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;

The District has vehicle insurance covered through the Mercer County's self-insurance program.

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2021.

Note 7 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

Mercer County Soil and Water Conservation District
Mercer 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, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	Special
Outstanding Encumbrances	\$ 933
Total	\$ 933

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

Note 10 – COVID-19

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

Note 11 – Restatement of Beginning Fund Balance

The District and Other Funds are being restated in 2021 due to the incorrect ending fund balances being recorded on the prior year Hinkle financial statements. The District Fund is also being restated due to the District not including the Auxiliary account balance on their financial statements in 2021. The restatements are as follows:

	District Fund
Ending Fund Balance at December 31, 2020	\$ 188,789
Restatement	582,655
Restatement due to not including Auxiliary account on the financial statements	221
Restated Fund Balance January 1, 2021	\$ 771,665
	Other Fund
Ending Fund Balance at December 31, 2020	\$ 1,463,345
Restatement	(582,656)
Restated Fund Balance January 1, 2021	\$ 880,689

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

Mercer County Soil and Water Conservation District
Mercer County
220 W. Livingston Suite 1
Celina, Ohio 45822

To the Board of Supervisors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the cash balances, receipts and disbursements for each fund of the Mercer County Soil and Water Conservation District, Mercer County, (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 May 31, 2023, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

May 31, 2023

MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT
MERCER COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the District Administrator and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the District's annual financial report were noted:

- Cash balance of Auxiliary account was not included in the District Fund on the financial statements in 2022 and 2021;
- Transfers In was incorrectly posted as Other Revenue in the Special Fund in 2021;
- Transfers Out were incorrectly posted as Salaries, OPERS, Worker's Compensation, Hospitalization and Medicare in the Other Fund in 2021;
- Outstanding checks from 2021 were incorrectly posted to the District Fund and Other Funds causing an overstatement of disbursements in 2022;
- Other Revenue, State Government Revenue, Other Disbursements, Transfers In and Transfers Out in the District Fund in the accounting system were not properly categorized on the Hinkle Financial Statements in 2022; and
- A receipt was incorrectly posted to federal government grant revenue instead of being posted as a transfer in in the Other Fund in 2022.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements and notes to the financial statements could lead the Board of Supervisors to make misinformed decisions. The accompanying financial statement and notes to the financial statements have been adjusted to correct these errors.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the District Administrator and Board of Supervisors to help identify and correct errors and omissions.

Officials' Response – We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



MERCER COUNTY SOIL AND WATER CONSERVATION DISTRICT

MERCER 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 8/1/2023

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