



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SENECA COUNTY SOIL AND WATER CONSERVATION DISTRICT  
SENECA COUNTY  
DECEMBER 31, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

Seneca County Soil and Water Conservation District  
Seneca County  
3140 South State Route 100, Suite D  
Tiffin, Ohio 44883

To the Board of Supervisors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and related notes of Seneca County Soil and Water Conservation District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions the Ohio Department of Agriculture permits; 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.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the District prepared these financial statements using 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 requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Agriculture permits. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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* paragraph, the financial statements referred to above 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, 2019 and 2018, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund of Seneca County Soil and Water Conservation District, Seneca County, Ohio as of and for the years ended December 31, 2019 and 2018 in accordance with the financial reporting provisions the Ohio Department of Agriculture permits, described in Note 2.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 27, 2020

**Seneca County Soil and Water Conservation District**  
*Seneca County*  
*Combined Statement of Receipts, Disbursements and*  
*Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2019*

	District Fund	Special Fund	Other Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Grants				
Local Government		\$267,680		\$267,680
State Government	\$194,818	185,733		380,551
Sale of Products/Materials	6,605			6,605
Rentals	7,890			7,890
Farm Harvest Income	11,862			11,862
All Other Revenue	47,994	7,055	\$425	55,474
<i>Total Cash Receipts</i>	<u>269,169</u>	<u>460,468</u>	<u>425</u>	<u>730,062</u>
<b>Cash Disbursements</b>				
Salaries		368,537		368,537
Supplies	30,084	5,046	1,248	36,378
Equipment	8,827	1,310		10,137
Contract Services/Cost Share Payment	97,840	12,067	4,574	114,481
Rentals	1,824	25,000		26,824
Service Fees		3,220		3,220
Travel and Expenses	22,356	695	65	23,116
Advertising and Printing	332			332
OPERS		51,050		51,050
Worker's Compensation		3,634		3,634
Hospitalization		30,393		30,393
Medicare		5,150		5,150
Product/Materials for Resale	4,168			4,168
Health Savings		5,625		5,625
Other	8,406	9,140	27,852	45,398
<i>Total Cash Disbursements</i>	<u>173,837</u>	<u>520,867</u>	<u>33,739</u>	<u>728,443</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>95,332</u>	<u>(60,399)</u>	<u>(33,314)</u>	<u>1,619</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	18,977	61,750		80,727
Transfers Out			(80,727)	(80,727)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,977</u>	<u>61,750</u>	<u>(80,727)</u>	
<i>Net Change in Fund Cash Balances</i>	114,309	1,351	(114,041)	1,619
<i>Fund Cash Balances, January 1</i>	<u>555,872</u>	<u>31,576</u>	<u>\$114,041</u>	<u>701,489</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	150,909			150,909
Assigned		17,030		17,030
Unassigned	519,272	15,897		535,169
<i>Fund Cash Balances, December 31</i>	<u>\$670,181</u>	<u>\$32,927</u>	<u>\$114,041</u>	<u>\$703,108</u>

See accompanying notes to the basic financial statements

# Seneca County Soil and Water Conservation District

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Seneca County Soil and Water Conservation District, Seneca County, Ohio (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

The Permanent Conservation Trust fund is also associated with the District. The Trust is legally separate. However, the Trust has the same governing body as the District, the District can impose its will on the trust, and there is a financial benefit or burden relationship. Therefore, the Trust is deemed a component unit of the District based on the criteria in GASB Cod. 2100. The Permanent Conservation Trust exists solely to support the District and has unaudited net assets of \$125,718 as of December 31, 2019. The District's Board of Supervisors decides how to spend the Trust's money.

### ***Joint Venture and Public Entity Risk Pool***

The District participates in a joint venture and a public entity risk pool. Notes 5 and 10 to the financial statements provide additional information for these entities.

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 Fund*** This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District had the following Other Fund:

***MNM Fund*** The Manure Nutrient Management (MNM) fund accounts for and reports revenues from the jointly governed organization for the Manure Nutrient Management program.



## Seneca County Soil and Water Conservation District

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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### ***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.

***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 2019 budgetary activity appears in Note 3.

### ***Deposits and Investments***

The Seneca 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 Seneca County Treasurer, Paul Harrison, at 109 South Washington Street, Tiffin, Ohio 44883 or by calling 419-447-1584.

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 MNM fund, the money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

### ***Capital Assets***

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

### ***Accumulated Leave***

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

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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**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.

***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.

***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.

**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$538,655	\$522,218	(\$16,437)

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$560,266	\$523,627	\$36,639

**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 Seneca County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits (which includes \$50 cash on hand) and investments at December 31 was as follows:

	2019
Demand deposits	\$651,226
County Treasurer Deposits	32,928
Total deposits	684,154
STAR Ohio	18,954
Total deposits and investments	\$703,108

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio and is administered through Seneca County. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District participates in the County Risk Sharing Authority (CORSA) public entity risk pool through its fiscal agent. Seneca County, the District's fiscal agent, is a member of CORSA, which is a public entity risk sharing pool of thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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Property and casualty settlements did not exceed insurance coverage for the past three years, and the District has not had a significant reduction in coverage from the prior year.

The pool's audited financial statements conform with generally accepted accounting principles, and reported the following summary of assets, liabilities and equity as of April 30, 2019:

	2019
Assets	\$131,543,222
Liabilities	(42,482,516)
Members' Equity	<u>\$89,060,706</u>

**Note 6 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All 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, 2019.

**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 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 8 – Contingent Liabilities**

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

**Note 9 – All Other Revenues**

The District has other revenues in the District fund totaling \$47,994. These revenues consist of contracts, rentals, interest and reimbursements.

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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**Note 10 – Joint Venture**

The District participates and is the administrator of the Manure Nutrient Management (MNM) with Crawford, Sandusky and Wyandot Soil and Water Conservation Districts. This organization is operated under the authority given in Ohio Rev. Code § 940.18 for the sole purpose of sharing specialty services of manure nutrient management consulting. Each Soil and Water Conservation District serves on the MNM Joint Board and contributes a share of the annual expenses as follows: Crawford, Wyandot and Seneca each contribute 30 percent while Sandusky contributes 10 percent. This Joint Venture dissolved on June 30, 2019.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Seneca County Soil and Water Conservation District**  
*Seneca County*  
*Combined Statement of Receipts, Disbursements and*  
*Changes in Fund Balances (Regulatory Cash Basis)*  
*For the Year Ended December 31, 2018*

	District Fund	Special Fund	Other Fund	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Grants				
Local Government		\$270,068	\$62,409	\$332,477
State Government	\$283,005	175,584		458,589
Sale of Products/Materials	11,805			11,805
Rentals	8,110			8,110
Farm Harvest Income	17,632			17,632
All Other Revenue	155,159	7,368	2,291	164,818
<i>Total Cash Receipts</i>	<u>475,711</u>	<u>453,020</u>	<u>64,700</u>	<u>993,431</u>
<b>Cash Disbursements</b>				
Salaries		334,591		334,591
Supplies	25,559	4,186	2,092	31,837
Equipment	16,686	630		17,316
Contract Services/Cost Share Payment	126,089	26,896	8,119	161,104
Rentals	521	25,000		25,521
Service Fees		2,461		2,461
Travel and Expenses	7,430	1,456	427	9,313
Advertising and Printing	3,799	329		4,128
OPERS		46,119		46,119
Worker's Compensation		3,515		3,515
Flex Spend Admin Fees		48		48
Hospitalization		31,802		31,802
Medicare		4,792		4,792
Product/Materials for Resale	3,682			3,682
Health Savings		3,583		3,583
Other	52,776	10,295		63,071
<i>Total Cash Disbursements</i>	<u>236,542</u>	<u>495,703</u>	<u>10,638</u>	<u>742,883</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>239,169</u>	<u>(42,683)</u>	<u>54,062</u>	<u>250,548</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		62,321		62,321
Transfers Out			(62,321)	(62,321)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>62,321</u>	<u>(62,321)</u>	
<i>Net Change in Fund Cash Balances</i>	239,169	19,638	(8,259)	250,548
<i>Fund Cash Balances, January 1</i>	<u>316,703</u>	<u>11,938</u>	<u>122,300</u>	<u>450,941</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	32,120		114,041	146,161
Assigned		21,611		21,611
Unassigned	523,752	9,965		533,717
<i>Fund Cash Balances, December 31</i>	<u>\$555,872</u>	<u>\$31,576</u>	<u>\$114,041</u>	<u>\$701,489</u>

*See accompanying notes to the basic financial statements*

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Seneca Soil and Water Conservation District, Seneca County, Ohio (the District) as a body corporate and politic. A publicly elected five-member District Board of Supervisors directs the District. The District provides local leadership in the conservation of natural resources and stewardship of agricultural lands.

The Permanent Conservation Trust fund is also associated with the District. The Trust is legally separate. However, the Trust has the same governing body as the District, the District can impose its will on the trust, and there is a financial benefit or burden relationship. Therefore, the Trust is deemed a component unit of the District based on the criteria in GASB Cod. 2100. The Permanent Conservation Trust exists solely to support the District and has unaudited net assets of \$106,578 as of December 31, 2018. The District’s Board of Supervisors decides how to spend the Trust’s money.

***Joint Venture and Public Entity Risk Pool***

The District participates in a joint venture and a public entity risk pool. Notes 5 and 10 to the financial statements provide additional information for these entities.

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***

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***MNM Fund*** The Manure Nutrient Management (MNM) fund accounts for and reports revenues from the jointly governed organization for the Manure Nutrient Management program.

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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***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.

***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 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Seneca 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 Seneca County Treasurer, Paul Harrison, at 109 South Washington Street, Tiffin, Ohio 44883 or by calling 419-447-1584.

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 MNM fund, the money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

***Capital Assets***

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

***Accumulated Leave***

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



**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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**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.

***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.

***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.

**Note 3 – Special Fund Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special	\$611,198	\$515,341	(\$95,857)

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$552,386	\$498,621	\$53,765

**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 Seneca County Treasurer. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits (which includes \$50 cash on hand) and investments at December 31 was as follows:

	2018
Demand deposits	\$609,788
County Treasurer Deposits	31,577
Total deposits	<u>641,365</u>
STAR Ohio	<u>60,124</u>
Total deposits and investments	<u><u>\$701,489</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

***Investments***

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

**Note 5 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio and is administered through Seneca County. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District participates in the County Risk Sharing Authority (CORSA) public entity risk pool through its fiscal agent. Seneca County, the District's fiscal agent, is a member of CORSA, which is a public entity risk sharing pool of thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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Property and casualty settlements did not exceed insurance coverage for the past three years, and the District has not had a significant reduction in coverage from the prior year.

The pool's audited financial statements conform with generally accepted accounting principles, and reported the following summary of assets, liabilities and equity as of April 30, 2018:

	2018
Assets	<u>\$123,215,885</u>
Liabilities	<u>(28,613,349)</u>
Members' Equity	<u><u>\$94,602,536</u></u>

**Note 6 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All 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, 2018.

**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 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 8 – Contingent Liabilities**

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

**Note 9 – All Other Revenues**

The District has other revenues in the District fund totaling \$155,159. These revenues consist of contracts, rentals, interest and reimbursements.

**Seneca County Soil and Water Conservation District**

*Seneca County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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**Note 10 – Joint Venture**

The District participates and is the administrator of the Manure Nutrient Management (MNM) with Crawford, Sandusky and Wyandot Soil and Water Conservation Districts. This organization is operated under the authority given in Ohio Rev. Code § 940.18 for the sole purpose of sharing specialty services of manure nutrient management consulting. Each Soil and Water Conservation District serves on the MNM Joint Board and contributes a share of the annual expenses as follows: Crawford, Wyandot and Seneca each contribute 30 percent while Sandusky contributes 10 percent.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



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

Seneca County Soil and Water Conservation District  
Seneca County  
3140 South State Route 100, Suite D  
Tiffin, Ohio 44883

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 by fund type of Seneca County Soil and Water Conservation District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 27, 2020, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

August 27, 2020

**SENECA COUNTY SOIL AND WATER CONSERVATION DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

**Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- Encumbrances within the Special fund of \$2,760 and \$2,918 were improperly accounted for as committed rather than assigned fund balance as GASB Statement No. 54 requires in 2019 and 2018, respectively.
- Remaining Special fund balance of \$15,897 and \$9,965 were improperly accounted for as committed rather than unassigned fund balance as GASB Statement No. 54 requires in 2019 and 2018, respectively.
- Grant balances within the District fund of \$150,909 and \$32,120 were improperly accounted for as assigned rather than restricted fund balance as GASB Statement No. 54 requires in 2019 and 2018, respectively.
- Remaining District fund balance of \$519,222 and \$523,702 were improperly accounted for as assigned rather than unassigned fund balance as GASB Statement No. 54 requires in 2019 and 2018, respectively.
- MNM fund balance of \$114,041 was improperly accounted for as committed rather than restricted fund balance as GASB Statement No. 54 requires in 2018.
- District fund GLRI Nutrient grant of \$77,304 was improperly accounted for as Other revenue rather than State Government grants in 2018.
- District fund OFSWCD grant of \$189,701 was improperly accounted for as Other revenue rather than State Government grants in 2018.
- District fund Smart2Genius grant of \$60,000 was improperly accounted for as Other revenue rather than State Government grants in 2019.

Errors were also noted in the notes to the financial statements, resulting in the following audit adjustments:

- Budgeted receipt amounts for the Special fund were increased by \$12,883 and \$94,920 in 2019 and 2018, respectively, in order to bring the notes to the financial statement in line with the authorized budget amounts.
- Actual receipts (budgetary basis) for the Special fund were increased by \$61,750 in 2019 and decreased by \$5,648 in 2018, in order to bring the notes to the financial statements in line with the actual receipt amounts.

- Appropriation authority amounts in the Special fund were increased by \$2,917 and \$24,268 in 2019 and 2018, respectively, in order to bring the notes to the financial statements in line with authorized budget amounts.
- Budgetary expenditures in the Special fund were increased by \$303 in 2019 and decreased by \$2,729 in 2018, in order to bring the notes to the financial statements in line with actual budgetary expenditure amounts.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these and other errors. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. Additional errors were made in smaller relative amounts.

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, including a final review of the financial statements and notes to the financial statements by the Team Leader and Board, to identify and correct errors and omissions. Furthermore, the Team Leader should review Audit Bulletin 2014-004 for information on GASB Statement No. 54, to help ensure that all accounts are being properly posted to the financial statements.

**Officials' Response:**

The District has been and will continue to work to improve the errors noted above. Adopting additional policies and procedures, as well as seeking professional guidance will be the main strategies deployed to improve the financial statements so the District's Board can make the most responsible decisions.



# OHIO AUDITOR OF STATE KEITH FABER



**SENECA COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**SENECA 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 9/15/2020**

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](http://www.ohioauditor.gov)