

**LANCASTER COUNTY
CONSERVATION DISTRICT
LANCASTER, PENNSYLVANIA**

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2014

LANCASTER COUNTY CONSERVATION DISTRICT
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2014

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
LANCASTER COUNTY CONSERVATION DISTRICT
Lancaster, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the major fund of the LANCASTER COUNTY CONSERVATION DISTRICT as of and for the year ended December 31, 2014, and the related notes to the cash basis financial statements, which collectively comprise the LANCASTER COUNTY CONSERVATION DISTRICT cash basis basic financial statements and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the cash basis financial statements, we considered the LANCASTER COUNTY CONSERVATION DISTRICT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LANCASTER COUNTY CONSERVATION DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of LANCASTER COUNTY CONSERVATION DISTRICT's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2014-001 to be a material weakness.

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Board of Directors
LANCASTER COUNTY CONSERVATION DISTRICT
Lancaster, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LANCASTER COUNTY CONSERVATION DISTRICT's cash basis financial statements are free of 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 determination of financial statement amounts. 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*.

LANCASTER COUNTY CONSERVATION DISTRICT's Response to the Finding

LANCASTER COUNTY CONSERVATION DISTRICT's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. LANCASTER COUNTY CONSERVATION DISTRICT's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Zelenkofske Axelrod LLC

ZELENKOFESKE AXELROD LLC

Harrisburg, Pennsylvania
June 30, 2015

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Directors
LANCASTER COUNTY CONSERVATION DISTRICT
Lancaster, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited LANCASTER COUNTY CONSERVATION DISTRICT's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect of LANCASTER COUNTY CONSERVATION DISTRICT's major federal program for the year ended December 31, 2014. LANCASTER COUNTY CONSERVATION DISTRICT's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of LANCASTER COUNTY CONSERVATION DISTRICT's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LANCASTER COUNTY CONSERVATION DISTRICT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of LANCASTER COUNTY CONSERVATION DISTRICT's compliance.

Opinion on Each Major Federal Program

In our opinion, LANCASTER COUNTY CONSERVATION DISTRICT, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2014.

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Zelenkofske Axelrod LLC

Board of Directors
LANCASTER COUNTY CONSERVATION DISTRICT
Lancaster, Pennsylvania

Report on Internal Control Over Compliance

Management of LANCASTER COUNTY CONSERVATION DISTRICT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LANCASTER COUNTY CONSERVATION DISTRICT's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LANCASTER COUNTY CONSERVATION DISTRICT's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Zelenkofske Axelrod LLC

Board of Directors
LANCASTER COUNTY CONSERVATION DISTRICT
Lancaster, Pennsylvania

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the major fund of LANCASTER COUNTY CONSERVATION DISTRICT, as of and for the year ended December 31, 2014, and the related notes to the cash basis financial statements, which collectively comprise the LANCASTER COUNTY CONSERVATION DISTRICT'S cash basis basic financial statements. We issued our report thereon dated June 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the cash basis basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the cash basis basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the cash basis basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the cash basis basic financial statements or to the cash basis basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the cash basis basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
June 30, 2015

LANCASTER COUNTY CONSERVATION DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Grant Receipts	Federal Grant Expenditures
<u>United States Department of Agriculture</u>			
Passed through Commonwealth of Pennsylvania Department of Agriculture:			
Environmental Quality Incentives Program	10.912	\$ 116,856	\$ 115,318
Total United States Department of Agriculture		<u>116,856</u>	<u>115,318</u>
<u>United States Environmental Protection Agency</u>			
Passed through Commonwealth of Pennsylvania Department of Environmental Protection:			
Nonpoint Source Implementation Grants	66.460	173,986	173,986
Chesapeake Bay Program	66.466	<u>271,002</u>	<u>345,653</u> *
Total United States Environmental Protection Agency		<u>444,988</u>	<u>519,639</u>
 TOTAL FEDERAL AWARDS		 <u>\$ 561,844</u>	 <u>\$ 634,957</u>

* Denotes program tested as major

LANCASTER COUNTY CONSERVATION DISTRICT
 NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2014

NOTE 1: REPORTING ENTITY

The Lancaster County Conservation District (Conservation District), as the reporting entity for financial reporting purposes, is defined in Note 1 to the Conservation District's financial statements. For purposes of preparing the schedules of expenditures of awards, the Conservation District's reporting entity is the same as was used for financial purposes.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards are presented using the cash basis of accounting, which is described in Note 1 to the Conservation District's financial statements.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2014 threshold for determining Type A and B programs is \$300,000.

The following Type A program was audited as major:

<u>CFDA #</u>	<u>Program</u>
66.466	Chesapeake Bay Program

The amount expended under programs audited as major federal programs for the year ended December 31, 2014, totaled \$345,653 or 54.44% of total federal awards expended.

NOTE 4: PROGRAM CLUSTERS

The Conservation District did not have any program clusters, as defined by OMB Circular A-133 that were treated as a single program for determining major programs.

LANCASTER COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditors' Findings

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
 - Significant deficiency(s) identified not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiency(s) identified not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

Identification of major program

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.466	Chesapeake Bay Program

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

LANCASTER COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section II - Financial Statement Findings and Questioned Costs

Finding 2014-001

Segregation of Duties

Criteria:	Proper internal control dictates that duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.
Condition:	During the audit, we noted certain incompatible functions were performed by the same individual. We noted that the individual was able to post to the general ledger and was also an authorized signer on the checks. These are two functions that should be segregated.
Cause:	Due to the limited number of people working for the District, several critical duties are combined and given to available employees.
Effect:	The duties that are not segregated may result in a material misstatement of the financial statements.
Questioned Costs:	This finding does not result in questioned costs.
Recommendation:	The District should ensure that duties are properly segregated to the best extent possible.
Management's Response:	In August, 2014, Management addressed this finding with the Board of Directors and changed their policy by removing the individual as a signor on the account. The check signing and general ledger duties are now segregated.

LANCASTER COUNTY CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014

<u>County Program</u>	<u>Prior Year Finding</u>	<u>Brief Description of Finding</u>	<u>Current Year Status</u>
None	13-01	Segregation of Duties	See current year finding 2014-001