



OHIO AUDITOR OF STATE
KEITH FABER



**LAKE COUNTY SOIL AND WATER CONSERVATION DISTRICT
LAKE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Lake County Soil and Water Conservation District
Lake County
105 Main Street, B3 Suite 100
Painesville, Ohio 44077

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 the Lake County Soil and Water Conservation District, Lake 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 such 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 opinions.

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 the Lake County Soil and Water Conservation District, Lake 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 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

October 27, 2020

**LAKE COUNTY SOIL AND WATER CONSERVATION DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Grants			
Local Government	\$17,000	\$233,936	\$250,936
State Government		191,679	191,679
Gifts and Contributions	2,000		2,000
Sale of Products/Materials	17,161		17,161
All Other Revenue	89,734		89,734
<i>Total Cash Receipts</i>	<u>125,895</u>	<u>425,615</u>	<u>551,510</u>
Cash Disbursements			
Salaries		276,874	276,874
Supplies	1,546	1,373	2,919
Equipment	14,854	159	15,013
Contract Repairs		902	902
Contract Services/Cost Share Payment		7,935	7,935
Rentals		25,125	25,125
Service Fees	3,560		3,560
Information and Education	16,201	3,734	19,935
Travel and Expenses	2,422	2,422	4,844
Advertising and Printing	3,440	5,632	9,072
OPERS		36,662	36,662
Worker's Compensation		3,814	3,814
Hospitalization		54,920	54,920
Medicare		3,813	3,813
Product/Materials for Resale	10,477		10,477
Vehicle Rental/Liability Insurance		3,564	3,564
Annual Meeting/Banquet	2,569		2,569
Other	7,911	43,783	51,694
<i>Total Cash Disbursements</i>	<u>62,980</u>	<u>470,712</u>	<u>533,692</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,915</u>	<u>(45,097)</u>	<u>17,818</u>
Other Financing Receipts (Disbursements)			
Transfers In		53,000	53,000
Transfers Out	(53,000)		(53,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(53,000)</u>	<u>53,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	9,915	7,903	17,818
<i>Fund Cash Balances, January 1</i>	<u>228,136</u>	<u>1,331</u>	<u>229,467</u>
Fund Cash Balances, December 31			
Assigned	165,549		165,549
Unassigned (Deficit)	72,502	9,234	81,736
<i>Fund Cash Balances, December 31</i>	<u>\$238,051</u>	<u>\$9,234</u>	<u>\$247,285</u>

See accompanying notes to the basic financial statements

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Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Lake County Soil and Water Conservation District, Lake County, Ohio (the District) as a body corporate and politic. The District is an independent political subdivision of State government, as established by the constitution and laws of the State of Ohio, organized along county boundaries providing technical support to urban and rural land users. An elected board of local citizens provides the District leadership and sets local conservation priorities.

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.

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. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board of Supervisors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Lake County Soil and Water Conservation District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Lake 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 Lake County. Contact Lake County Treasurer's Office, Lorraine M Fende 440-350-2516, 105 Main Street, P.O. Box 490, Painesville, Ohio 44077.

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.

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.

Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – (Continued)

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	\$471,804	\$478,615	\$6,811

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$473,870	\$470,712	\$3,158

Note 4 – Deposits and Investments

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

Demand deposits	2019 \$238,051
County Treasurer deposits	9,234
Total deposits	\$247,285

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

Lake County Soil and Water Conservation District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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, if material.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District's full-time 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.

**LAKE COUNTY SOIL AND WATER CONSERVATION DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	District Fund	Special Fund	Totals (Memorandum Only)
Cash Receipts			
Grants			
Local Government	\$19,500	\$210,914	\$230,414
State Government		151,629	151,629
Sale of Products/Materials	17,944		17,944
All Other Revenue	68,418		68,418
<i>Total Cash Receipts</i>	<u>105,862</u>	<u>362,543</u>	<u>468,405</u>
Cash Disbursements			
Salaries		254,023	254,023
Supplies	679	1,393	2,072
Equipment	3,164	148	3,312
Contract Repairs		1,085	1,085
Contract Services/Cost Share Payment		7,569	7,569
Rentals		25,125	25,125
Service Fees	5,831		5,831
Information and Education	9,658	1,077	10,735
Travel and Expenses	1,380	1,174	2,554
Advertising and Printing	3,090	5,455	8,545
OPERS		35,563	35,563
Worker's Compensation		3,582	3,582
Hospitalization		52,782	52,782
Medicare		3,506	3,506
Product/Materials for Resale	12,997		12,997
Vehicle Rental/Liability Insurance		3,734	3,734
Other	17,126	43,936	61,062
<i>Total Cash Disbursements</i>	<u>53,925</u>	<u>440,152</u>	<u>494,077</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>51,937</u>	<u>(77,609)</u>	<u>(25,672)</u>
Other Financing Receipts (Disbursements)			
Transfers In		75,182	75,182
Transfers Out	(75,182)		(75,182)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(75,182)</u>	<u>75,182</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(23,245)	(2,427)	(25,672)
<i>Fund Cash Balances, January 1</i>	<u>251,381</u>	<u>3,758</u>	<u>255,139</u>
Fund Cash Balances, December 31			
Assigned	163,876	1,331	165,207
Unassigned (Deficit)	64,260		64,260
<i>Fund Cash Balances, December 31</i>	<u>\$228,136</u>	<u>\$1,331</u>	<u>\$229,467</u>

See accompanying notes to the basic financial statements

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Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Lake 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 Lake County. Contact Lake County Treasurer's Office, Lorraine M Fende 440-350-2516, 105 Main Street, P.O. Box 490, Painesville, Ohio 44077.

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Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

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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	\$440,782	\$437,725	(\$3,057)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special	\$440,988	\$440,152	\$836

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$228,136
County Treasurer deposits	1,331
Total deposits	\$229,467

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

Lake County Soil and Water Conservation District

Lake County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 5 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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, if material.

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The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
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Note 6 – Defined Benefit Pension Plans

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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.

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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**

Lake County Soil and Water Conservation District
Lake County
105 Main Street, B3 Suite 100
Painesville, Ohio 44077

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 Lake County Soil and Water Conservation District, Lake 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 October 27, 2020, wherein we noted the District followed financial reporting provisions the Ohio Department of Agriculture prescribes or permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

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 Findings

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

October 27, 2020

**LAKE COUNTY SOIL AND WATER CONSERVATION DISTRICT
LAKE COUNTY**

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

FINDING NUMBER 2019-001

Significant Deficiency - Segregation of Duties

Effective internal controls help to prevent financial statement misstatements, and detect, prevent, and mitigate fraud. A key component of effective internal controls include adequate segregation of duties. Segregation of duties means the same person should not be performing the record keeping, authorization, custody, and reconciliation functions within each accounting cycle. When duties cannot be segregated within each accounting cycle, compensating controls, such as using an individual outside of the accounting function to perform nontechnical duties, should be utilized. For smaller entities where the accounting functions are limited to one or a few key individuals, the use of dual signatures on checks is good internal control measure to help reduce the risk of improper payments and other accounting errors.

A lack of segregation of duties was found in the following areas with no adequate compensating controls in place:

- The Watershed Coordinator reconciles receipts to daily cash, prepares bank deposit and takes the deposit to the bank.

Inadequate segregation of duties or independent checks increases the District's susceptibility to error, misstatement or misappropriation of funds.

We recommend the District revise its control mechanisms or add additional compensating controls, such as review of bank reconciliations by another individual, to increase its segregation of duties in the above areas.

Officials' Response:

The Lake County Soil and Water Conservation District staff and Board have addressed this finding by segregating the process of receiving payments, reconciling receipts, preparing deposits, and physically making the deposit at the bank. Receipts and dollar amounts will be verified by a second employee and the deposit will not be made by the staff person that prepared the deposit.

In addition to segregating duties, we have modified our deposit slip to include the number of receipts, the total value of receipts, which will match the total value of the deposit.

Lake County Soil and Water Conservation District policies and procedures will be modified to reflect these changes.

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OHIO AUDITOR OF STATE KEITH FABER



LAKE COUNTY SOIL AND WATER CONSERVATION DISTRICT

LAKE 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 11/17/2020

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