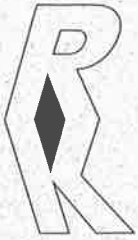


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RAY KNAUB & COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANT
REAR 127 WEST 8TH ST.
WYOMING, PA 18644

TELEPHONE: 570-613-1000
FAX: 570-613-1001
EMAIL: RAY@RAYKNAUB.CPA
RAY3@RAYKNAUB.CPA
WEBSITE: RAYKNAUB.CPA

INDEPENDENT AUDITORS' REPORT

To the District Directors
Luzerne Conservation District

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities and major fund information of Luzerne Conservation District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements and supplementary information, which collectively compromise the District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund information of Luzerne Conservation District, as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management has not adopted a methodology for depreciating capital assets and establishing accumulated depreciation in the general and special revenue funds and accordingly, has not considered the need to calculate depreciation and accumulated depreciation. Accounting principles generally accepted in the United States of America require that capital assets be depreciated, which would decrease the net assets and general fund balance and change the expenditures in the general fund. The amount by which this departure would affect the net assets, fund balances and expenditures of the general fund is not reasonably determinable.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The District has not presented Management's Discussion and Analysis of the financial statements that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. We have applied certain limited procedures to the budgetary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

September 25, 2023



RAY KNAUB & COMPANY, P.C.
Wyoming, Pennsylvania

LUZERNE CONSERVATION DISTRICT
 COMBINED BALANCE SHEET - ALL FUNDS AND STATEMENT OF NET ASSETS
 DECEMBER 31, 2022

	<u>GOVERNMENTAL FUND TYPES</u>			<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>		
ASSETS					
Cash and cash equivalents - restricted	\$ 7,744	\$ 518,288	\$ 526,032	\$ -0-	\$ 526,032
Cash and cash equivalents - unrestricted	392,902	-0-	392,902	-0-	392,902
Accounts Receivable - Grant Sources	169,970	21,128	191,098	-0-	191,098
Due from other funds	23,619	50,661	74,280	(74,280)	-0-
Prepaid expenses	7,925	-0-	7,925	-0-	7,925
Capital assets	-0-	-0-	-0-	511,306	511,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 602,160</u>	<u>\$ 590,077</u>	<u>\$ 1,192,237</u>	<u>\$ 437,026</u>	<u>\$ 1,629,263</u>
LIABILITIES AND FUND BALANCES/NET ASSETS					
Liabilities:					
Accounts payable	\$ 7,543	\$ -0-	\$ 7,543	\$ -0-	\$ 7,543
Due to other funds	49,634	24,646	74,280	(74,280)	-0-
Accrued compensation	82,545	-0-	82,545	-0-	82,545
Deposits/Advances	-0-	116,798	116,798	-0-	116,798
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>139,722</u>	<u>141,444</u>	<u>281,166</u>	<u>(74,280)</u>	<u>206,886</u>
Fund balances:					
Fund balance - unreserved	454,694	-0-	454,694	(454,694)	-0-
Fund balance - reserved	7,744	448,633	456,377	(456,377)	-0-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>462,438</u>	<u>448,633</u>	<u>911,071</u>	<u>(911,071)</u>	<u>-0-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 602,160</u>	<u>\$ 590,077</u>	<u>\$ 1,192,237</u>	<u> </u>	<u> </u>
Net assets:					
Invested in capital assets (net of related debt)				\$ 511,306	\$ 511,306
Unrestricted				454,694	454,694
Restricted				456,377	456,377
				<u> </u>	<u> </u>
Total net assets				<u>\$ 1,422,377</u>	<u>\$ 1,422,377</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE CONSERVATION DISTRICT
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - ALL FUNDS AND STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>GOVERNMENTAL FUND TYPES</u>			<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>		
REVENUES:					
Luzerne County	\$ 20,000	\$ -0-	\$ 20,000	\$ -0-	\$ 20,000
Pennsylvania DEP	367,889	-0-	367,889	-0-	367,889
NRCS/PACD	26,766	-0-	26,766	-0-	26,766
Permits and fees	294,589	-0-	294,589	-0-	294,589
Dirt and Gravel Road Maintenance Grant	-0-	185,445	185,445	-0-	185,445
Low Volume Paved Road Maintenance Grant	-0-	141,293	141,293	-0-	141,293
Chesapeake Bay Grants	-0-	94,962	94,962	-0-	94,962
Growing Greener Grants	-0-	388,745	388,745	-0-	388,745
Miscellaneous grants	-0-	103,144	103,144	-0-	103,144
Interest income	2,519	5,523	8,042	-0-	8,042
Miscellaneous	12,145	-0-	12,145	-0-	12,145
Workshops	150	-0-	150	-0-	150
	<u>724,058</u>	<u>919,112</u>	<u>1,643,170</u>	<u>-0-</u>	<u>1,643,170</u>
Total revenues					
EXPENDITURES:					
Personnel costs	548,809	25,403	574,212	-0-	574,212
Chesapeake Bay Grant	-0-	94,962	94,962	-0-	94,962
Dirt and Gravel Road Maintenance Grant	-0-	167,728	167,728	-0-	167,728
Low Volume Paved Road Maintenance Grant	-0-	138,164	138,164	-0-	138,164
Growing Greener Grants	-0-	386,268	386,268	-0-	386,268
Miscellaneous Grants	-0-	102,909	102,909	-0-	102,909
Administrative costs	142,709	1,081	143,790	-0-	143,790
	<u>691,518</u>	<u>916,515</u>	<u>1,608,033</u>	<u>-0-</u>	<u>1,608,033</u>
Total expenditures					
Excess of revenues over expenditures	32,540	2,597	35,137	(35,137)	-0-
Change in net assets				35,137	35,137
Fund Balance - net assets at December 31, 2021	<u>429,898</u>	<u>446,036</u>	<u>875,934</u>	<u>-0-</u>	<u>875,934</u>
Fund Balance - net assets at December 31, 2022	<u>\$ 462,438</u>	<u>\$ 448,633</u>	<u>\$ 911,071</u>	<u>\$ -0-</u>	<u>\$ 911,071</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE CONSERVATION DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Luzerne County	\$ 20,000	\$ 20,000	\$ -0-
Pennsylvania DEP	255,160	367,889	112,729
NRCS/PACD	33,991	26,766	(7,225)
Permits and fees	350,000	294,589	(55,411)
Interest income	525	2,519	1,994
Miscellaneous	19,117	12,145	(6,972)
Workshops	1,000	150	(850)
	<hr/>	<hr/>	<hr/>
Total revenues	679,793	724,058	44,265
 EXPENDITURES:			
Personnel costs	577,741	548,809	28,932
Administrative costs	61,052	142,709	(81,657)
	<hr/>	<hr/>	<hr/>
Total expenditures	638,793	691,518	(52,725)
Excess of revenues over (under) expenditures	<u>\$ 41,000</u>	32,540	<u>\$ (8,460)</u>
Fund Balance at December 31, 2021		<hr/> 429,898	
Fund Balance at December 31, 2022		<u>\$ 462,438</u>	

The accompanying notes are an integral part of this financial statement.

LUZERNE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Luzerne Conservation District (the District) was created on February 13, 1964 as provided for when the Pennsylvania General Assembly passed the Soil Conservation District Act (Act 217). The purpose of the District is to preserve soil and water resources by assisting landowners, home owners and farmers in implementing soil management plans and erosion control plans. Act 217 created the framework for Conservation Districts across the Commonwealth of Pennsylvania, yet did not create the districts as a subdivision of the Commonwealth. Likewise, the resolution creating the District by the County of Luzerne did not create the District as a subdivision of the County.

The District Directors consist of eight individuals appointed by the Luzerne County Council and one member of the Council.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and The Statement of Activities, and in the fund financial statements, governmental activities are presented using the current financial resources measurement focus. All government funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The following are the District's governmental fund types:

General Fund – the general operating fund of the District, accounts for all financial resources of Luzerne Conservation District that are not required to be accounted for in the special revenue funds.

LUZERNE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Special Revenue Funds – accounts for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified in the grant agreements.

Assets, Liabilities and Equity

Cash

For the purposes of the Statement of Net Assets, "cash and cash equivalents (both restricted and unrestricted)" includes all demand and savings accounts of the District.

Accounts Receivable – Grant Sources

In the fund financial statements, receivables from grant sources include all amounts reimbursable to the District in arrears for expenses already incurred. All amounts are due from the Commonwealth of Pennsylvania and are the result of grant contracts between the District and the Commonwealth. All amounts are both measurable and available as of the balance sheet date.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

The District does not report depreciation as required by generally accepted accounting principles.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

LUZERNE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other government; or (2) law through constitutional provisions or enacting legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Deposits

The District's deposits are to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2022, the carrying amounts of the District's bank deposits were \$918,934. These bank deposits are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name.

Leave policies

Full-time District employees accrue four (4) hours of vacation leave per bi-weekly pay period during the first four (4) years of service, six (6) hours per pay period in years 5 to 14 and eight (8) hours per pay period after 15 years of service. Upon voluntary resignation or retirement, an employee is entitled to receive payment for up to a maximum of 240 hours. The liability for accumulated vacations at December 31, 2022, is \$27,960.

Sick leave is earned at a rate of four (4) hours for each bi-weekly pay period for full-time employees only. Upon voluntary resignation or retirement, an employee is entitled to receive payment for one-half of their accumulated sick leave, up to a maximum of 120 hours. The liability for accumulated sick pay at December 31, 2022, is \$19,978.

Revenues

The District receives various cost share grants and an administrative assistance grant from the Pennsylvania Department of Environmental Protection (DEP). The cost share grants are paid in arrears, upon verification that approved expenditures were paid. Revenues from these grants are recorded when the expenditures are incurred. The administrative assistance grant is paid upon completion of a “financial audit” within the guidelines of the DEP directives. This revenue is recorded upon completion of the requirements to receive the grant.

The District receives a cost share grant from NRCS and administered by the PA Association of Conservation Districts which funds up to 75% of the personnel cost of two technicians, paid in arrears, upon verification that approved expenditures are paid. Revenue from this grant is recorded when the expenditures are incurred.

LUZERNE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The District receives a farmers' cost share grant from the Pennsylvania Chesapeake Bay Program. These funds are paid in arrears, upon verification that approved expenditures are paid. Revenue from this grant is recorded when the expenditures are incurred.

The District receives funds from the Luzerne County Council. There is no formal agreement between the District and the Council regarding the receipt of these funds; therefore, revenue is recorded when received.

The District receives administrative fees to help cover costs under the Dirt and Gravel Road and Low Volume Paved Road Maintenance Programs. The fees are payable upon approval of a contract under the program.

The District charges fees for the review and revision of Erosion and Sedimentation plans. Plans of state governmental units are exempt from fees. These funds are received upon the filing of the plan and are recorded when received.

The District from time to time conducts various fund raising events and camps. Income for these events is recognized upon the receipt of the funds, which coincides with the date of the event.

The District from time to time participates in various Growing Greener and other grant programs. These grants are paid in arrears upon submission of approved expenditures. Some of the grants also allow for the District to receive up to 20% of the funds in advance. Revenues from these grants are recorded upon completion of the requirements to receive the funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Budgetary Data

Formal budgetary accounting is employed as a management control for the general fund. Annual operating budgets are adopted each year through passage of an annual budget and are amended as required from time to time. The same basis of accounting is used for both budgetary and financial reporting purposes.

NOTE 2: ADJUSTMENTS

During the course of normal operations, the District has numerous transactions between funds. On the government funds balance sheet, receivables and payables resulting from interfund transactions are classified as "Due to other funds" and "Due from other funds." These amounts are eliminated on the statement of net assets. In addition, Capital assets as described in Note 4 and Long-term debt as described in Note 6 must be adjusted to arrive at the Statement of Net Assets.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable – Grant Sources reflects the amounts due to the District from the PA DEP as reimbursements under the various cost share grants and from grantors as reimbursed under Growing Greener and other grants. There is no provision for uncollectable accounts.

LUZERNE CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 4: CAPITAL ASSETS

General Fixed Assets

A summary of changes in general fixed assets for the ended December 31, 2022, follows:

	<u>Building and Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance – December 31, 2021	\$292,700	\$52,082	\$80,332	\$425,114
Acquisitions	-0-	-0-	149,991	149,991
Retirements	<u>-0-</u>	<u>-0-</u>	<u>(63,799)</u>	<u>(63,799)</u>
Balance – December 31, 2022	<u>\$292,700</u>	<u>\$52,082</u>	<u>\$166,524</u>	<u>\$511,306</u>

NOTE 5: RETIREMENT PLAN

The District participates in the defined contribution plan of the Pennsylvania Municipal Retirement System, established by the Pennsylvania Municipal Retirement Law, Act 15 of 1974, as amended. The plan covers all full-time permanent employees. Eligible employees may contribute up to ten percent of their salary to the plan. Employee contributions are immediately vested. The District is required to contribute five percent of eligible employees' compensation. District contributions are fully vested after five years of service. During 2022, total employee contributions were \$21,395 and total District contributions were \$19,757. Total administrative fees charged for 2022 were \$280. Plan provisions and contribution requirements are established and may be amended by the Luzerne Conservation District Board of Directors. Plan obligations were fully funded at December 31, 2021 and 2022.

NOTE 6: COMMITMENTS

The District leases one truck for use in the West Nile Virus Grant program. Total monthly payments are \$572. The lease runs through May 2027. Future lease obligations are as follows:

<u>Year of Payment:</u>	<u>Payment Amount</u>
2023	\$6,861
2024	6,861
2025	6,861
2026	6,861
2027	<u>2,285</u>
Total	<u>\$29,729</u>

NOTE 7: GRANTS

The District receives grants from the Pennsylvania Department of Environmental Protection (DEP) through the State Conservation Commission for the purpose of conducting the Dirt and Gravel Road and Low Volume Paved Road Maintenance Programs. The funds must be maintained in separate accounts and are restricted for use only as outlined in the "Dirt and Gravel Road and Low Volume Paved Road Maintenance Program Agreement between the State Conservation Commission and the Luzerne Conservation District."

LUZERNE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The District receives grants from DEP through the State Conservation Commission for the purpose of conducting the Chesapeake Bay Financial Assistance Funding Program. The funds must be maintained in a separate account and are restricted for use only as outlined in the "Chesapeake Bay Financial Assistance Funding Program Agreement between the State Conservation Commission and the Luzerne Conservation District."

The District receives grants from DEP through the State Conservation Commission for the purpose of conducting various Growing Greener Grants. The funds must be maintained in separate accounts and are restricted for use only as outlined in the specific grant contracts between the State Conservation Commission and the Luzerne Conservation District.

The District receives grants from various agencies for the purpose of conducting and monitoring activities as agreed upon between the District and the grantees. The funds are restricted for use only as outlined in the specific grant contracts between the Luzerne Conservation District and the grantees.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated the effects of all subsequent events through September 25, 2023, the date the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustments or disclosures in the financial statements. Conservation Districts are mandated by Commonwealth law. Despite the effects of the COVID 19 pandemic, the operations of the District have been steady and therefore management believes that there is nothing that would require recognition or disclosure in the financial statements.



RAY KNAUB & COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANT
REAR 127 WEST 8TH ST.
WYOMING, PA 18644

TELEPHONE: 570-613-1000
FAX: 570-613-1001
EMAIL: RAY@RAYKNAUB.CPA
RAY3@RAYKNAUB.CPA
WEBSITE: RAYKNAUB.CPA

INDEPENDENT AUDITOR'S 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

To the District Directors
Luzerne Conservation District

We have audited, in accordance with 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 and major fund information of Luzerne Conservation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2023.

The report on the District's financial statements was qualified because management has not adopted a methodology for depreciating capital assets and establishing accumulated depreciation in the general and special revenue funds and accordingly, has not considered the need to calculate depreciation and accumulated depreciation. Accounting principles generally accepted in the United States of America require that capital assets be depreciated, which would decrease net assets and fund balances and change the expenditures in the general and special revenue funds.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Luzerne 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 Luzerne Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Luzerne Conservation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be a significant deficiency.

LACK OF SEGREGATION OF DUTIES

Statement of Condition: The District has one employee who is responsible for almost all accounting functions.

Criteria: Segregation of duties is an integral component of internal control over financial reporting, in order to prevent a single individual from controlling all aspects of a transaction.

Cause of Condition: The available resources of the District prevent meaningful segregation of duties in daily transactions.

Effect: Because of the lack of segregation of duties, errors and irregularities could possibly occur and not be detected on a timely basis.

Recommendation: Since the District does not have the resources to hire additional personnel, we recommend that the Board of Directors take an active role in the accounting functions of the District.

Views of Responsible Officials and Planned Corrective Actions: Management has determined it is not cost beneficial to properly segregate duties throughout the District's operations. Management will continue to report summarized financial data to the Board at regularly scheduled meetings which includes detailed information related to cash receipts and disbursements and other pertinent financial information. The Board will review and analyze this information on an ongoing basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Luzerne Conservation District's 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*.

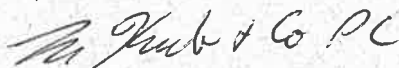
We noted certain matters that we reported to management of Luzerne Conservation District in a separate letter dated September 25, 2023.

Luzerne Conservation District's response to the finding identified in our audit is described above. Management'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.

September 25, 2023



RAY KNAUB & COMPANY, PC
Wyoming, Pennsylvania

LUZERNE CONSERVATION DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Personnel costs:			
Salaries	\$ 450,645	\$ 436,357	\$ 14,288
Payroll taxes	41,387	39,894	1,493
Employee benefits	87,990	78,418	9,572
Pension	20,042	20,037	5
Total personnel costs	<u>600,064</u>	<u>574,706</u>	<u>25,358</u>
Less allocations to:			
Special Revenue Programs	<u>(22,323)</u>	<u>(25,897)</u>	<u>3,574</u>
Net personnel costs	<u>577,741</u>	<u>548,809</u>	<u>28,932</u>
Administrative costs:			
Accounting and audit	7,600	7,600	-0-
Advertising	600	102	498
Dues, memberships and subscriptions	3,700	3,802	(102)
Education and Outreach	1,800	2,913	(1,113)
Insurance	11,300	10,932	368
Legal and professional	2,350	1,338	1,012
Mosquito and other grant costs	-0-	17,868	(17,868)
Office supplies	7,000	6,611	389
Postage and delivery	2,000	1,741	259
Repairs, maintenance and capital assets	5,477	11,938	(6,461)
Telephone	7,500	7,545	(45)
Travel and conferences	8,025	64,190	(56,165)
Utilities	3,700	6,129	(2,429)
Total administrative costs	<u>61,052</u>	<u>142,709</u>	<u>(81,657)</u>
Total expenditures	<u>\$ 638,793</u>	<u>\$ 691,518</u>	<u>\$ (52,725)</u>

The accompanying notes are an integral part of this financial statement.

LUZERNE CONSERVATION DISTRICT
DESCRIPTION OF FUNDS – SPECIAL REVENUE FUNDS
DECEMBER 31, 2022

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The specific financial activities recorded in the special revenue funds are:

- Dirt and Gravel Road – This fund is used to administer all funds received and expended under the Dirt and Gravel Road Maintenance Grant.
- Low Volume Paved Road – This fund is used to administer all funds received and expended under the Low Volume Paved Road Maintenance Grant.
- Pennsylvania Chesapeake Bay Program – This fund is used to administer all funds received and expended under Pennsylvania Chesapeake Bay Program Grants.
- Growing Greener Grants– This fund is used to administer all funds received and expended under Growing Greener Grants.
- Miscellaneous Grants – This fund is used to administer all funds received and expended under all other grants in which the District participates.

LUZERNE CONSERVATION DISTRICT
SPECIAL REVENUE FUNDS
COMBINED BALANCE SHEET
DECEMBER 31, 2022

	Chesapeake Bay	Dirt and Gravel Road	Low Volume Paved Roads	Grow Green Grants	Miscellaneous Grants	Total
ASSETS						
Cash and cash equivalents - restricted	\$ -0-	\$ 272,127	\$ 181,762	\$ 64,399	\$ -0-	\$ 518,288
Due from general fund	-0-	-0-	-0-	50,661	-0-	50,661
Grant receivable	-0-	-0-	-0-	20,893	235	21,128
Total assets	\$ -0-	\$ 272,127	\$ 181,762	\$ 135,953	\$ 235	\$ 590,077
LIABILITIES AND FUND BALANCE						
Grant advances	\$ -0-	\$ -0-	\$ -0-	\$ 116,798	\$ -0-	\$ 116,798
Accounts payable	-0-	-0-	-0-	-0-	-0-	-0-
Due to general fund	-0-	3,048	2,933	18,430	235	24,646
Total liabilities	-0-	3,048	2,933	135,228	235	141,444
Fund balance - reserved	-0-	269,079	178,829	725	-0-	448,633
Total liabilities and fund balance	\$ -0-	\$ 272,127	\$ 181,762	\$ 135,953	\$ 235	\$ 590,077

The accompanying notes are an integral part of this financial statement.

LUZERNE CONSERVATION DISTRICT
SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Chesapeake Bay	Dirt and Gravel Road	Low Volume Paved Road	Grow Green Grants	Miscellaneous Grants	Total
Revenues:						
Dirt and Gravel Road Maintenance Grant	\$ -0-	\$ 185,445	\$ -0-	\$ -0-	\$ -0-	\$ 185,445
Low Volume Paved Road Grant	-0-	-0-	141,293	-0-	-0-	141,293
Chesapeake Bay Grants	94,962	-0-	-0-	-0-	-0-	94,962
Growing Greener Grants	-0-	-0-	-0-	388,745	-0-	388,745
Miscellaneous Grants	-0-	-0-	-0-	-0-	103,144	103,144
Interest income	-0-	3,402	1,855	266	-0-	5,523
Total revenues	<u>94,962</u>	<u>188,847</u>	<u>143,148</u>	<u>389,011</u>	<u>103,144</u>	<u>919,112</u>
Expenditures:						
Personnel costs	-0-	11,452	11,452	2,499	-0-	25,403
Cost share expenditures	94,962	167,728	138,164	386,268	102,909	890,031
Auto and Travel	-0-	447	197	-0-	-0-	644
Administrative	-0-	101	101	-0-	235	437
Total expenditures	<u>94,962</u>	<u>179,728</u>	<u>149,914</u>	<u>388,767</u>	<u>103,144</u>	<u>916,515</u>
Revenues (under) over expenditures	-0-	9,119	(6,766)	244	-0-	2,597
Fund balance-reserved-December 31, 2021	-0-	259,960	185,595	481	-0-	446,036
Fund balance-reserved-December 31, 2022	<u>-0-</u>	<u>\$ 269,079</u>	<u>\$ 178,829</u>	<u>\$ 725</u>	<u>\$ -0-</u>	<u>\$ 448,633</u>

The accompanying notes are an integral part of this financial statement.



RAY KNAUB & COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANT
REAR 127 WEST 8TH ST.
WYOMING, PA 18644

TELEPHONE: 570-613-1000
FAX: 570-613-1001
EMAIL: RAY@RAYKNAUB.CPA
RAY3@RAYKNAUB.CPA
WEBSITE: RAYKNAUB.CPA

To the District Directors
Luzerne Conservation District

In planning and performing our audit of the general-purpose financial statements of Luzerne Conservation District for the year ended December 31, 2022, we considered the District's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated September 25, 2023 on the financial statements of Luzerne Conservation District.

Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

Adjustments to your accounting records

During the course of our audit, we made recommendations for adjustments and accumulated them for your reference. These adjustments were approved by management and supplied to you.

We have posted the adjustments to your working QuickBooks records so that your records agree with the audited financial statements.

Lack of Segregation of Duties

A sound accounting system relies on strong internal controls. An important aspect of the system is maintaining segregation of duties. With the issues that arose in a neighboring District, this has become a focal point for the State Conservation Commission. The District inherently has a problem with establishing segregation of duties for accounting functions due to staff size.

The concerns over this issue are mitigated by the strong Board oversight and the information that is provided to the Board at the monthly meetings. It is especially important for the board to continue its strong oversight over the accounting and management functions.

Accounting for special purpose grants

The District participates in various special purpose grants (Growing Greener, 319, PACD, etc.).

The Quickbooks records should be reconciled with the grant records to insure that income and expenditures agree with the grant records.

Budgets

The District is required to approve a 2024 budget of all income and expense items for its fiscal year.

A copy of the budget and a notation from the minutes that approved the budget must be submitted to Karen Books with DEP no later than March 31, 2024.

We wish to thank you for your cooperation during our audit.

This report is intended solely for the information and use of the District Directors, management, and others within the District.

September 25, 2023



RAY KNAUB & COMPANY, PC
Wyoming, Pennsylvania