

**Luzerne
Conservation District**

**Financial Statements – Cash Basis
For the Year Ended
December 31, 2023
&
Independent Auditor’s Report
&
Internal Control and
Compliance Report**

Luzerne Conservation District

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BRADLY T. MURRAY CPA LLC

Independent Auditor's Report

To the Board of Directors of the
Luzerne Conservation District:

Opinion

I have audited the accompanying financial statements – cash basis of the Luzerne Conservation District (the “District”) as of and for the year ended December 31, 2023 and the related notes to the financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash and fund balance arising from cash transactions of the Luzerne Conservation District as of December 31, 2023 and the receipts it collected and the disbursements it made during the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my ethical responsibilities, in accordance with the relevant ethical requirements, relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Basis of Accounting

As also described in Note 1 to the financial statements, the District changed its basis of accounting on January 1, 2023 from accounting principles generally accepted in the United States of America to the cash basis of accounting. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

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

I am 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 I identified during the audit.

Required Supplementary Information

Management has not presented the Management's Discussion and Analysis (MD&A) that the cash basis of accounting requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. My opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2024 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bradly J. Murray CPA LLC

Honesdale, Pennsylvania
December 19, 2024

Luzerne Conservation District

Statement of Cash and Restricted Fund Balance

December 31, 2023

Assets

Cash	\$ 818,553
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Fund Balance

Fund Balance

Restricted for:

Dirt and Gravel Road	191,225
Clean Water Fund	8,927
Growing Greener	69,360
Agriculture Conservation Assistance	262,392
Conservation	549,041

Total Fund Balance	\$ 818,553
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See notes to financial statements

Luzerne Conservation District

Statement of Cash Receipts, Disbursements and Changes in Restricted Fund Balance
For the Year Ended December 31, 2023

Cash Receipts

Intergovernmental grants:	
Watershed Project funding	\$ 464,054
Dirt and Gravel Road	416,959
Agricultural Best Management Practices (BMP)	408,576
Agriculture Conservation Assistance Program (ACAP)	258,749
Mosquito-borne Disease Control	134,377
Conservation District Fund Allocation Program	131,574
Unconventional Gas Well Fund	70,278
Ag Tech Service reimbursement	31,270
Countywide Action Plan (CAP) Implementation Grant	30,121
Watershed Specialist	21,058
County funding	20,000
Agricultural Conservation Technical Assistance Program (ACT)	14,544
Other grant income	6,778
Charges for service	368,342
Proceeds from sale of assets	19,000
Interest income	16,956
Miscellaneous income	214
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Total cash receipts	2,412,850

Disbursements

Program	1,713,495
Salaries & benefits	716,295
Administrative expenses	26,707
Building & grounds	19,259
Travel & training	13,057
Outreach and education	5,894
Staff expenses	4,121
Dues and subscriptions	3,905
Miscellaneous	950
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Total disbursements	2,503,683

Change in restricted fund balance	(90,833)
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Restricted fund balance, beginning, as previously reported	911,071
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Restatement	(1,685)
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Restricted fund balance, beginning, as restated	909,386
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Restricted fund balance, ending	\$ 818,553

See notes to financial statements

Luzerne Conservation District

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies

The major accounting principles and practices followed by the Luzerne Conservation District (the "District") are summarized below:

Nature of Operations

The District was established by the County Commissioners of the County of Luzerne, Pennsylvania (the "County") in February 1964 in accordance with the provisions of the Conservation District Law of 1945 (Act 217) of the Pennsylvania General Assembly out of concern for the conservation of the natural, scenic, historic, and aesthetic resources of the County. The District conducts regulatory/voluntary compliance, technical assistance, and education/outreach activities.

To meet its goals, the District has entered into various agreements with state agencies. The District primarily receives funding from the Commonwealth of Pennsylvania, Department of Environmental Protection (the "Commonwealth"), which is used to fund various programs based on the agreements between the District and the Commonwealth. The District also receives support from the County.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in Statement 14, as amended by Statements 39 and 61, issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether the District is considered a component unit of another governmental organization or whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency, and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements, nor should the District be included in any other organization's financial statements.

Basis of Accounting

The District prepares its financial statements in conformity with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues and related assets are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred.

When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources as needed.

Luzerne Conservation District

Notes to Financial Statements
December 31, 2023

Basis of Presentation

The District's operations are reported as a special revenue fund, which account for and report the proceeds of specific revenue sources that are either restricted or committed to expenditures for specified purposes.

Governmental Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

Non-spendable fund balances include amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (the "Board") through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by District management based on Board direction. Unassigned fund balances represent amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follow: restricted, committed, assigned, unassigned.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting referred to on the previous page 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. Accordingly, actual results could differ from those estimates.

Budgetary Data

The District is not legally required to adopt an annual operating budget covering all of its cash receipts and disbursements; therefore, no budgetary comparison schedule is presented.

Luzerne Conservation District

Notes to Financial Statements

December 31, 2023

Change in Basis of Accounting

In previous years, the District prepared its financial statements using accounting principles generally accepted in the United States of America, which included fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting and government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. In 2023, the District adopted the cash basis of accounting for the preparation of its financial statements, which only include fund financial statements. Under the cash basis of accounting, revenue is earned when cash is received rather than when it is both measurable and available and expenses are recognized when paid rather than when incurred. Fund balance was restated at January 1, 2023 by \$1,685 for the change in basis of accounting.

2. Deposits with Financial Institutions

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The District has a policy for custodial credit risk that limits deposits to savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and for any amounts above the insured maximum, those amounts shall be secured by collateral pledged by the depository pursuant to Commonwealth of Pennsylvania Act 72 of 1971 (Act 72). At December 31, 2023, the bank balance of the District's deposits with financial institutions was \$848,572 compared to the carrying amount of \$818,553. The difference is caused by outstanding checks. \$598,572 of the District's deposits were exposed to custodial credit risk. This entire amount was uninsured and collateralized by securities pledged by the financial institution for such funds but not in the District's name in accordance with the collateralization provisions of Act 72, as amended.

3. Retirement Plan

The District sponsors a defined benefit cash balance pension plan (the "Plan"). The Plan participates in the Pennsylvania Municipal Retirement System ("PMRS"), covering all full-time employees. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans.

Luzerne Conservation District

Notes to Financial Statements

December 31, 2023

PMRS issues a separate Annual Comprehensive Financial Report (ACFR). A copy of the 2023 ACFR can be obtained from the PMRS website at www.pMrs.pa.gov. The Plan provides for normal retirement at age 60. Members become 100% vested after five years. Early retirement benefits are available upon attainment of twenty years of service. Membership of the plan at December 31, 2023 consisted of 7 active members, 3 inactive employees and beneficiaries currently receiving benefits and 4 inactive employees entitled to but not yet receiving benefits. The Board of Directors may establish and amend plan provisions.

Participants are permitted, but not required, to contribute to the Plan up to 20% of compensation. The District is required to contribute 5% of compensation. The District contributed \$25,078 in 2023 equal to the statutorily required contribution.

4. Vehicle Lease

The District leases a vehicle for use in program activities under the terms of an agreement with a financial institution. The agreement requires monthly payments of \$572 with final payment scheduled for April 2027. Title to the vehicle will transfer to the District at the end of the lease term.

The following is a summary of future minimum lease payments as of December 31, 2023:

Year Ending December 31:

2024	\$	6,861
2025		6,861
2026		6,860
2027		<u>2,287</u>
Total lease payments	\$	<u>22,869</u>

5. Contingencies

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The District is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.



BRADLY T. MURRAY CPA LLC

**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 Board of Directors of the
Luzerne Conservation District:

I 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 – cash basis of the Luzerne Conservation District (the “District”) as of and for the year ended December 31, 2023 and the related notes to the financial statements, and have issued my report thereon dated December 19, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

My 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bradly J. Murray CPA LLC

Honesdale, Pennsylvania
December 19, 2024