

**WASHTENAW COUNTY  
CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Washtenaw County Conservation District  
Ann Arbor, Michigan

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Washtenaw County Conservation District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 judgment made by a reasonable user based on the financial statements.

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

- 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 our 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.

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. We have applied certain limited procedures to the required supplementary 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.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
April 3, 2025

## **Management's Discussion and Analysis**

**Washtenaw County Conservation District  
Management's Discussion and Analysis  
September 30, 2024**

As management of the Washtenaw County Conservation District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements that follow this section.

The District is a legal subdivision of the State of Michigan responsible for conservation work within Washtenaw County. Costs of operations and capital expenditures are supported by contributions from Washtenaw County, operating grants, and sales of conservation items. The District's governing board consists of five members publicly elected at the local conservation district annual meeting. The financial statements of the District are presented as a separate reporting entity and are not included with the financial statements of Washtenaw County.

***Financial Highlights***

- The assets of the District exceeded its liabilities at the close of this fiscal year by \$753,869 (shown as net position). Of this amount, \$705,457 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the District received \$1,450,907 in revenues and had \$1,329,548 in expenses resulting in an increase in net position of \$121,359.
- The general fund increased its fund balance by \$138,449 during the year for an ending fund balance of \$750,621.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$750,621, or 57.2% of the general fund's expenditures.

***Overview of the Financial Statements***

The District's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. The report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** The *government-wide financial statements* are designed to provide a broad overview of the District's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, the difference between the two is reported as the net position of the District. Over time, increases or

decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave, capital asset activity, etc.).

### **Focus on Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The District uses fund accounting to ensure compliance with finance-related legal requirements. There is one fund, the general fund.

The District adopts an annual appropriated budget for the general fund. A budgetary comparison schedule for the general fund has been provided to demonstrate compliance with its budget.

***Governmental Funds*** All of the District's basic services are reported in the general fund, which is a governmental fund. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental funds as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

***Financial Analysis of the District as a Whole***

The following shows the net position of the District as of September 30, 2024 and 2022:

	<u>2024</u>	<u>2022</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 640,976	\$ 518,513
Accounts Receivable	193,858	97,731
Prepays	-	7,747
<b>Total Current Assets</b>	<u>834,834</u>	<u>623,991</u>
<i>Noncurrent Assets</i>		
Nondepreciable Capital Assets	-	3,258
Depreciable Capital Assets, net	45,412	32,376
<b>Total Assets</b>	<u>880,246</u>	<u>659,625</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	38,007	32,975
Due to State	650	1,677
Payroll Related Liabilities	25,435	7,742
Unearned Revenue	20,121	50,000
Current Portion of Compensated Absences	10,541	7,433
<b>Total Current Liabilities</b>	<u>94,754</u>	<u>99,827</u>
<i>Noncurrent Liabilities</i>		
Compensated Absences	31,623	22,299
<b>Total Liabilities</b>	<u>126,377</u>	<u>122,126</u>
<b>NET POSITION</b>		
Investment in Capital Assets	45,412	35,634
Unrestricted	708,457	501,865
<b>Total Net Position</b>	<u>\$ 753,869</u>	<u>\$ 537,499</u>

The net position of the District as of September 30, 2024 totaled \$753,869 and was \$537,499 two years earlier. Of the current year net position amount, \$708,457 is available to expend by the District.

Cash and investments increased by \$122,463 from the previously audited period. This increase closely follows the change in fund balance for both fiscal year 2023 and 2024 as well as the change in accounts receivable. Accounts receivable increased by \$96,127 as a result of grant reimbursements not being received before fiscal year-end.



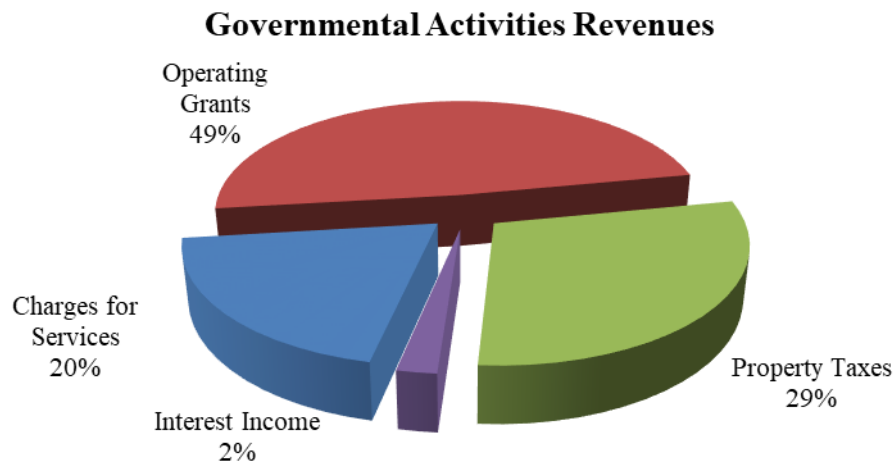
The following analysis highlights the change in net position for the year ended September 30, 2024 and 2022:

	<u>2024</u>	<u>2022</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 286,764	\$ 175,874
Operating Grants and Contributions	708,615	303,941
<b>Total Program Revenues</b>	<u>995,379</u>	<u>479,815</u>
<b>General Revenues</b>		
Property Taxes	423,768	374,550
Interest Income	31,760	1,912
<b>Total General Revenues</b>	<u>455,528</u>	<u>376,462</u>
<b>Total Revenues</b>	<u>1,450,907</u>	<u>856,277</u>
<b>Expenses</b>		
Conservation of Natural Resources	1,329,548	706,929
<b>Total Expenses</b>	<u>1,329,548</u>	<u>706,929</u>
<b>Change in Net Position</b>	121,359	149,348
<i>Net Position at Beginning of Period</i>	<u>632,510</u>	<u>388,151</u>
<b>Net Position at End of Period</b>	<u>\$ 753,869</u>	<u>\$ 537,499</u>

The net position of the District has increased by \$121,359 (or 19%) from the prior year.

Operating grants, charges for services, and expenses all increased by \$110,890, \$404,674, and \$622,619, respectively. The District grew in size due to receiving further grant funding as well as selling more plants and service charges. Accordingly, revenues and expenses increased as a result.

The following chart summarizes the revenue sources of the District for the most recent fiscal year-end.



The expenses of governmental activities for the district were 100% allocable to conservation of natural resources. There were no large changes in expenses for the current fiscal year.

#### ***Financial Analysis of the District's General Fund***

Total revenues for the general fund for the year ended September 30, 2024 were \$1,450,907. This is an increase over the previously audited period of \$594,630 (or 69%). The reason for this increase is discussed above.

Total general fund expenditures for 2024 were \$1,312,458 which is an increase of \$591,874 (or 82%). The reason for this increase is discussed above.

The September 30, 2024 fund balance of the general fund is \$750,621, all of which is unassigned and available to meet the District's obligations.

#### ***Operating Fund Budgetary Highlights***

*Original budget compared to final budget.* During the year there were several major amendments to the general fund budget. Please review the required supplementary information section for more information.

*Final budget compared to actual results.* A review of actual expenditures compared to the appropriations in the final budget yielded minor excesses of expenditures over appropriations. Details of the specific variances can be found in the required supplementary information section as well as the Note 2 of the notes to the financial statements.

## ***Capital Asset Administration***

### **Capital Assets**

The District's investment in capital assets as of September 30, 2024, amounted to \$45,412 (net of accumulated depreciation). This investment in capital assets includes equipment. Additional information on the District's capital assets can be found in Note 4 of this report.

### ***Next Year's Budget***

Management estimates that general fund revenues will be balanced with expenditures in the upcoming FY 2024-2025 budget. The District continues to review all budget line items for opportunities to reduce expenditures when possible and the budget will be monitored during the year to identify any necessary amendments.

### ***Contacting the District's Management***

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the District in writing at:

Washtenaw County Conservation District  
705 N. Zeeb Rd, Suite 201  
Ann Arbor, MI 48103

Or by phone at (734) 302-8715

## **Basic Financial Statements**

**Washtenaw County Conservation District**  
**Statement of Net Position**  
**September 30, 2024**

**ASSETS**

*Current Assets*

Cash and Investments	\$	640,976
Accounts Receivable		193,858
<b>Total Current Assets</b>		834,834

*Noncurrent Assets*

Depreciable Capital Assets, net		45,412
<b>Total Assets</b>		880,246

**LIABILITIES**

*Current Liabilities*

Accounts Payable		38,007
Due to State		650
Payroll Related Liabilities		25,435
Unearned Revenue		20,121
Current Portion of Compensated Absences		10,541
<b>Total Current Liabilities</b>		94,754

*Noncurrent Liabilities*

Compensated Absences		31,623
<b>Total Liabilities</b>		126,377

**NET POSITION**

Investment in Capital Assets		45,412
<i>Unrestricted</i>		708,457
<b>Total Net Position</b>	\$	<b>753,869</b>

**Washtenaw County Conservation District  
Statement of Activities  
For the Year Ended September 30, 2024**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Conservation of Natural Resources	\$ 1,329,548	\$ 286,764	\$ 708,615	\$ --	\$ (334,169)
<b>Total</b>	<b>\$ 1,329,548</b>	<b>\$ 286,764</b>	<b>\$ 708,615</b>	<b>\$ --</b>	<b>(334,169)</b>

**General Purpose Revenues:**

Interest Income	31,760
Property Taxes	423,768
<b>Total General Revenues</b>	<b>455,528</b>
<b>Change in Net Position</b>	<b>121,359</b>
<i>Net Position at Beginning of Period</i>	<i>632,510</i>
<b>Net Position at End of Period</b>	<b>\$ 753,869</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Washtenaw County Conservation District**  
**Balance Sheet**  
**Governmental Fund**  
**September 30, 2024**

		<u>General</u>
<b>ASSETS</b>		
Cash and Investments	\$	640,976
Accounts Receivable		193,858
<i>Total Assets</i>	\$	<b>834,834</b>
<b>LIABILITIES</b>		
Accounts Payable	\$	38,007
Due to State		650
Payroll Related Liabilities		25,435
Unearned Revenue		20,121
<i>Total Liabilities</i>		<b>84,213</b>
<b>FUND BALANCE</b>		
Unassigned		750,621
<i>Total Fund Balance</i>		<b>750,621</b>
<i>Total Liabilities and Fund Balance</i>	\$	<b>834,834</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Washtenaw County Conservation District**  
**Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position**  
**September 30, 2024**

Total Fund Balance - Governmental Fund	\$ 750,621
Capital assets of \$67,465, net of accumulated depreciation of \$22,053, are not financial resources and, accordingly, are not reported in the funds.	45,412
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(42,164)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>753,869</u></b>

The Notes to the Financial Statements are an Integral part of these Financial Statements



**Washtenaw County Conservation District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended September 30, 2024**

	<b>General</b>
<b>Revenues</b>	
Property Taxes	\$ 423,768
Grants	697,661
Sales of Conservation Materials, Net of Sales Tax	209,166
Interest Income	31,760
Other	88,552
<b><i>Total Revenues</i></b>	<b>1,450,907</b>
<b>Expenditures</b>	
Personnel Services	919,256
Program	196,815
Administrative	54,105
Other Services and Charges	142,282
<b><i>Total Expenditures</i></b>	<b>1,312,458</b>
<b><i>Excess of Revenues Over</i></b>	
<b><i>(Under) Expenditures</i></b>	<b>138,449</b>
<b><i>Net Change in Fund Balance</i></b>	<b>138,449</b>
<i>Fund Balance at Beginning of Period</i>	612,172
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 750,621</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Washtenaw County Conservation District**  
**Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended September 30, 2024**

Total Net Change in Fund Balances - Governmental Fund	\$	138,449
Governmental fund reports capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$9,978 is and loss on disposal of assets of \$3,258 is in excess of capital outlay expenditures of \$1,049.		(12,187)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase in compensated absences is a decrease in net position.		(4,903)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>121,359</u></b>

## **Notes to the Financial Statements**

# Washtenaw County Conservation District

## Notes to the Financial Statements

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### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Washtenaw County Conservation District (the “District”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

#### **Reporting Entity**

The Washtenaw County Conservation District is a legal subdivision of the State of Michigan responsible for conservation work within Washtenaw County. Costs of operations and capital expenditures are supported by contributions from Washtenaw County, operating grants, and sales of conservation items. The District’s governing board consists of five members publicly elected at the local conservation district annual meeting. The financial statements of the District are presented as a separate reporting entity and are not included with the financial statements of Washtenaw County.

The accompanying financial statements present the District. The District has determined that no other outside agency meets the criteria for inclusion as a component unit; therefore, no other agency has been included as a blended or discretely-presented component unit in the District’s financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Government activities*, are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes; 1) charges to District customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts; 1) investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

# Washtenaw County Conservation District

## Notes to the Financial Statements

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Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund - The *general fund* accounts for the resources accumulated and payments made for operation of the District.

### **Assets, Liabilities, and Net Position or Fund Equity**

#### ***Cash and Investments***

The District's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Certificates of deposit are considered to be investments.

State statutes and the District's investment policy authorize the District to make deposits and invest surplus funds as follows:

- 1) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States in which the principal is fully guaranteed by the United States.
- 2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration.

# Washtenaw County Conservation District

## Notes to the Financial Statements

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- 3) In commercial paper rated at the time of purchase within the 3 highest classifications by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- 4) In United States government of Federal agency obligation repurchase agreements.
- 5) In bankers' acceptances of United States banks.
- 6) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

### ***Receivables***

All trade and grants receivable are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management deemed all trade and grants receivable to be fully collectible as of year-end.

### ***Property Tax***

Property taxes are collected and forwarded to the District by the participating municipalities. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the District's district as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the District. The District recognizes all available revenue from the current tax levy.

The District levied .0197 per \$1,000 of assessed valuation for operations for the year ended September 30, 2024. The total taxable value for the 2023 levy for property within the District was \$21,649,156,808.

### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

### ***Capital Assets***

Capital assets, which include land and equipment, are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value of the asset at the date of donation. The costs of

# Washtenaw County Conservation District

## Notes to the Financial Statements

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normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	27 - 39
Conservation and Office Equipment	5 - 7

### ***Unearned Revenue***

The District receives grants from various sources which are not spent at year-end. Therefore, the grants are recorded as unearned revenue at year-end. The District anticipates recording revenue in future years when the grant funds are expected to be spent for their designated purposes.

### ***Compensated Absences***

Under the terms of the District policies, full time employees are granted 4 hours of sick leave per pay period. Part-time employees earn sick time at a pro-rated rate based on hour worked. Sick time may be accumulated with no maximum limit. Vacation time is earned at various rates based on years of service. Vacation, sick and comp time may be accumulated to an unlimited amount, however, only 15 days of vacation and comp time may be carried over each year. Vacation, sick, and comp time are paid out at the employee's hourly rate if terminated. There is no cap for vacation and comp time payout, but only 15 days of sick time will be paid out.

### ***Net Position Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### ***Fund Balance Flow Assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same

# Washtenaw County Conservation District

## Notes to the Financial Statements

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purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, interfund advances, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

*Unassigned fund balance* is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America 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 period. Actual results could differ from those estimates.



# Washtenaw County Conservation District

## Notes to the Financial Statements

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### Note 2 - Stewardship, Compliance & Accountability

#### *Budgetary Information*

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Board approves the budget document prior to September 30 of each year. The Board also makes budget amendments during the course of the year as it becomes known that expenditures in excess of the amount appropriated will become necessary.

#### *Excess of Expenditures over Appropriations*

A comparison of actual results of operations as compared to budget for the general fund is included in the required supplemental information for the year ended September 30, 2024.

Expenditures were incurred in excess of amounts appropriated in the original or amended budgets for the general fund as shown in the following schedule:

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative) Final to Actual</b>
Personnel Services	\$ 897,546	\$ 919,256	\$ (21,710)
Other Services and Charges	122,042	142,282	(20,240)

The budget exceptions were caused by year-end accrual adjusting journal entries.

# Washtenaw County Conservation District

## Notes to the Financial Statements

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### Note 3 – Cash and Investments

The District maintains individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of September 30, 2024:

Statement of Net Position	
Cash and Investments	<u>\$ 640,976</u>
Deposits and Investments	
Checking and Savings Accounts	\$ 106,040
Investments (MI Class)	534,672
Cash on hand	<u>264</u>
<b>Total</b>	<u>\$ 640,976</u>

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$0 of the District's bank balance of \$109,942 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the District believes it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk – Investments.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, District policy limits the types of investments and pre-qualifies financial institutions. As of September 30, 2024, none of the District's investments were exposed to risk since the securities are held in the District's name by the counterparty.

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment credit risk.

**Washtenaw County Conservation District**

Notes to the Financial Statements

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Credit risk ratings, where applicable, are summarized as follows:

Rating Agency	Rating	FMV
S&P	AAAm	\$ 534,672

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments held at year-end are summarized as follows:

	Pooled Investments
No Maturity	\$ 534,672

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The District’s investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio. All investments held at year end are reported above.

***Investments in Entities that Calculate Net Asset Value per Share***

The District holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the District's investment in the Michigan CLASS government investment pool was \$534,672. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated ‘A-1’ or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

**Washtenaw County Conservation District**

Notes to the Financial Statements

**Note 4 - Capital Assets**

Capital asset activity of the District for the current year was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 3,258	\$ -	\$ 3,258	\$ -
Capital Assets Being Depreciated				
Conservation Equipment	60,997		-	60,997
Office Equipment	5,419	1,049	-	6,468
Total Capital Assets, Being Depreciated	66,416	1,049	-	67,465
Less Accumulated Depreciation				
Conservation Equipment	9,953	8,824	-	18,777
Office Equipment	2,123	1,154	-	3,277
Total Accumulated Depreciation	12,075	9,978	-	22,053
<b>Capital Assets, Net</b>	<b>\$ 57,599</b>	<b>\$ (8,929)</b>	<b>\$ 3,258</b>	<b>\$ 45,412</b>

Depreciation expense of \$9,978 was charged to conservation of natural resources function for the year ended September 30, 2024.

**Note 5 - Compensated Absences**

The following schedule summarizes the change in the District's compensated absences during the year:

	Beginning Balance	Additions	Ending Balance	Due Within One Year
Compensated Absences	\$ 37,261	\$ 4,903	\$ 42,164	\$ 10,541

Compensated absences are liquidated by the general fund.

**Note 6 – Deferred Compensation Plan**

The District participates in a 457 deferred compensation retirement plan with Nationwide. Contributions are made by employees and the employer. The employer contributes a flat amount for each employee each pay-period and the employee is able to contribute based on various options. The Board of Directors has the ability to amend the retirement plan. For the year ended September 30, 2024, the employer and employees contributed \$29,527 and \$45,299, respectively.

**Note 7 - Risk Management**

The District is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; and workers' compensation for which the

## Washtenaw County Conservation District

### Notes to the Financial Statements

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District carries commercial insurance. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage during the past three fiscal years.

#### **Note 8 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expect such amounts, if any, to be immaterial.

## **Required Supplementary Information**

**Washtenaw County Conservation District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 432,911	\$ 423,938	\$ 423,768	\$ (170)
Grants	651,372	693,787	697,661	3,874
Sales of Conservation Materials, Net of Sales Tax	177,699	208,144	209,166	1,022
Interest Income	16,326	32,112	31,760	(352)
Other	7,650	81,177	88,552	7,375
<b>Total Revenues</b>	<u>1,285,958</u>	<u>1,439,158</u>	<u>1,450,907</u>	<u>11,749</u>
<b>Expenditures</b>				
Personnel Services	887,644	897,546	919,256	(21,710)
Program	215,116	199,901	196,815	3,086
Administrative	57,562	60,585	54,105	6,480
Other Services and Charges	123,400	122,042	142,282	(20,240)
<b>Total Expenditures</b>	<u>1,283,722</u>	<u>1,280,074</u>	<u>1,312,458</u>	<u>(32,384)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<u>2,236</u>	<u>159,084</u>	<u>138,449</u>	<u>(20,635)</u>
<b>Net Change in Fund Balance</b>	<b>2,236</b>	<b>159,084</b>	<b>138,449</b>	<b>(20,635)</b>
<i>Fund Balance at Beginning of Period</i>	<u>612,172</u>	<u>612,172</u>	<u>612,172</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<b>\$ 614,408</b>	<b>\$ 771,256</b>	<b>\$ 750,621</b>	<b>\$ (20,635)</b>

April 3, 2025

To the Board of Directors  
Washtenaw County Conservation District  
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Washtenaw County Conservation District (the “District”) for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop the above estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.



### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 3, 2025.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## ***Communication Regarding Internal Control***

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the District as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be a material weakness.

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

We consider the following deficiencies to be material weaknesses:

### ***2024-1 Material Audit Adjustments and Financial Statement Preparation (repeat finding):***

*Criteria:* All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) the financial statements (i.e. external financial reporting).

*Condition:* We identified and proposed material audit adjustments to key audit areas that management reviewed and approved.

As is the case with many small and medium-sized governmental units, the District has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the District's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the District's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

*Cause:* This condition was caused by the District's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the District to perform this task internally because outsourcing the task is considered more cost effective.

*Effect:* The District's accounting records were initially misstated by amounts material to the financial statements. In addition, the District lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

*Auditor's Recommendation:* We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the District's annual financial statements versus contracting with its auditor for these services.

*Management Response:* Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit the District's responses to the internal control findings described above and, accordingly, we express no opinion on them.

***Restriction on Use***

This information is intended solely for the information and use of the District Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Gabridge & Company, PLC  
Grand Rapids, MI