



**County Controller**

Stephen J. Barron, Jr., CFE

**Audit Manager**

Frank S. Kedl, CIA

**Solicitor**

Timothy P. Brennan, Esq.

**County Executive**

John A. Brown

**County Council**

Margaret Ferraro, President  
Glenn A. Geissinger, Vice-President  
Mathew M. Benol  
Kenneth M. Kraft  
Lamont G. McClure, Esq.  
Leonard S. Parsons  
Hayden Phillips  
Seth Vaughn  
Robert F. Werner

Independent Auditors' Report  
**STATEMENT OF REVENUES AND  
EXPENDITURES OF THE  
CONSERVATION DISTRICT**

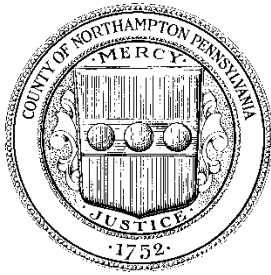
Year Ended December 31, 2014

**Office of the Controller  
County of Northampton  
Pennsylvania**

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
For the Year Ended December 31, 2014

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Statement of Revenues and Expenditures For the Year Ended December 31, 2014	3
Notes to Financial Statement	4 - 5
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	6 - 7
Schedule of Audit Findings and Recommendations	8 - 9



**STEVEN J. BARRON, JR., CFE**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

**FRANK S. KEDL, CIA**

Audit Manager

**PHONE (610) 559-3186**

**FAX (610) 559-3137**

**TIMOTHY P. BRENNAN, ESQ.**

Solicitor

**INDEPENDENT AUDITORS' REPORT**

Members of the Northampton County Council  
John A. Brown, County Executive  
Members of the Northampton County Conservation District  
Board of Directors  
County of Northampton, Pennsylvania

We have audited the accompanying Statement of Revenues and Expenditures of the Conservation District of the County of Northampton, Pennsylvania, for the year ended December 31, 2014. This financial statement is the responsibility of the County of Northampton, Pennsylvania, Conservation District's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Revenues and Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement of Revenues and Expenditures of the Conservation District. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statement was prepared for the purpose of complying with the Commonwealth of Pennsylvania, State Conservation Commission reporting requirements as described in Note 1 and is not intended to be a complete presentation of all grant revenues and expenditures of the County of Northampton, Pennsylvania.

The accompanying financial statement required by the Commonwealth of Pennsylvania, State Conservation Commission is intended to present the results of operations of only that portion of the General Fund assigned the cost center entitled "Conservation District" of the County of Northampton, Pennsylvania and is not intended to present fairly the financial position and results

Members of the Northampton County Council  
John A. Brown, County Executive  
Members of the Northampton County Conservation District  
Board of Directors  
--Page Two--

of operations of the County of Northampton, Pennsylvania, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audit, the financial statement referred to above presents fairly, in all material respects, the results of operations of the Conservation District of the County of Northampton, Pennsylvania for the year ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2015 on our consideration of the County of Northampton, Pennsylvania, Conservation District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended for the information and use of the management of the County of Northampton, Pennsylvania and the Commonwealth of Pennsylvania, State Conservation Commission. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,



Stephen J. Barron, Jr., CFE  
County Controller



Kathleen A. Kuzma, MBA, CPA, CGMA  
Lead Auditor

August 4, 2015

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
Statement of Revenues and Expenditures  
For the Year Ended December 31, 2014

**REVENUES**

Dirt and Gravel Road Program (Note 2)	\$	0
Administrative Assistance Program		2,847
Conservation District Fund Allocation Program		43,758
Watershed Specialist Project (Note 4)		27,415
Agricultural Conservation Technicians/Engineers (ACT) Project		21,624
Nutrient Management Act Program		6,641
Act 13 UGWF Block Grant (Note 5)		56,818
Miscellaneous Grants (Note 6)		6,967
Clean Water Fees (Note 3)		63,500
Subdivision Plan Review Fees		376,988
Miscellaneous Revenue (Note 7)		<u>5,259</u>
<b>TOTAL REVENUES</b>		<b><u>\$ 611,817</u></b>

**EXPENDITURES**

Salaries	\$	394,597
Fringe Benefits		165,123
Communications		3,990
Administrative Supplies and Equipment		13,432
Services and Other Operating Supplies		4,676
Transportation		5,679
Purchased Services		25,327
Program Operation Costs		<u>3,190</u>
<b>TOTAL EXPENDITURES</b>		<b><u>\$ 616,014</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>		<b><u>\$ (4,197)</u></b>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
Notes to Financial Statement  
For the Year Ended December 31, 2014

NOTE 1: Summary of Significant Accounting Policies

Basis of Accounting

The County of Northampton, Pennsylvania uses the modified accrual basis of accounting for its General Fund. Under a modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liabilities are incurred.

Basis of Presentation-Fund Accounting

The accounts of the County of Northampton, Pennsylvania are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

Financial Reporting Entity

The Conservation District (District) represents one of many divisions accounted for by the County of Northampton, Pennsylvania in its General Fund. Its revenues and expenditures are accounted for within the fund through the use of a specifically assigned cost center.

Commonwealth of Pennsylvania, State Conservation Commission Reporting Requirements

Revised conservation district audit standards were adopted by the State Conservation Commission on November 9, 1999. These audit standards are based on duties and powers conferred upon the Commission under the provisions of the Conservation District Law (Act 217 of 1945). As a recipient of funds, "the board of directors ... shall provide for an annual audit of the accounts of receipts and disbursements (Section 8 (2))". For calendar year 1999 and beyond, County Conservation District audits must include all funds received, maintained and expended by the district. Since the assets and liabilities are accounted for in the General Fund and not separately, a Balance Sheet is not presented.

NOTE 2: Dirt and Gravel Road Program

Funding from the Dirt and Gravel Road Program is being accounted for in a Special Revenue Fund. As of December 31, 2014, the Dirt and Gravel Road Program funding deferred for future expenditures amounted to \$25,940.

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
Notes to Financial Statement  
For the Year Ended December 31, 2014

NOTE 3: Clean Water Fees

Funding from the Clean Water Fund fees is being accounted for in a Special Revenue Fund. As of December 31, 2014, the Clean Water fees deferred for future expenditures amounted to \$332,289.

NOTE 4: Watershed Specialist Projects

Funding for Watershed Specialist Projects is being accounted for in a Special Revenue Fund. As of December 31, 2014, Watershed Specialist funding deferred for future expenditures amounted to \$5,164 from Coldwater Heritage grants for Fry's Run (\$164) and Nancy Run (\$5,000) projects.

NOTE 5: Act 13 Unconventional Gas Well Funds

Funding for the PUC UGWF Block Grant is being accounted for in a Special Revenue Fund. As of December 31, 2014, the funding deferred for future expenditures amounted to \$54,994.

NOTE 6: Miscellaneous Grants

In 2014, the District applied for and received various miscellaneous grant revenues. The following grants are included in the Miscellaneous Grants line item:

- The Pennsylvania Association of Conservation Districts awarded an educational mini-grant in the amount of \$1,500 for a workshop for educators entitled "Mapping Your Watershed". During year ended December 31, 2014, total costs of \$1,467 were reimbursed to the District for this workshop.
- An Environmental Education grant in the amount of \$500 was awarded and received during 2014 from Pennsylvania Envirothon, Inc. to assist the District with costs associated with the County Envirothon held annually.
- The Coldwater Heritage Partnership, Coldwater Conservation Grant Program, awarded private funding in the amount of \$5,000 for the Coldwater Conservation Plan on Nancy Run. Funding received in advance during calendar year ended December 31, 2014 amounted to \$5,000.

NOTE 7: Miscellaneous Revenue

The funds reported in the Miscellaneous Revenue line item are comprised of interest income (\$123), annual Envirothon program donations (\$4,150), and registration fees and expense reimbursements for various Conservation District programs and functions (\$986).



**STEPHEN J. BARRON, JR., CFE**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

**FRANK S. KEDL, CIA**

Audit Manager

**PHONE (610) 559-3186**

**FAX (610) 559-3137**

**TIMOTHY P. BRENNAN, ESQ.**

Solicitor

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Northampton County Council  
John A. Brown, County Executive  
Members of the Northampton County Conservation District  
Board of Directors  
County of Northampton, Pennsylvania

We have audited the Statement of Revenues and Expenditures of the Conservation District of the County of Northampton, Pennsylvania for the year ended December 31, 2014 and have issued our report thereon dated August 4, 2015. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement of Revenues and Expenditures but not for the purpose of expressing an opinion on the effectiveness of the Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Conservation District's internal control over financial reporting.

*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.



Members of the Northampton County Council  
John A. Brown, County Executive  
Members of the Northampton County Conservation District  
Board of Directors

--Page Two--

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement of Revenues and Expenditures of the Conservation District of the County of Northampton, Pennsylvania is 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 the Conservation District in the accompanying schedule of audit findings and recommendations.

The Conservation District's response to the findings in our audit is described in the accompanying schedule of audit findings and recommendations. We did not audit the Conservation District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and the Commonwealth of Pennsylvania State Conservation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Stephen J. Barron, Jr., CFE  
County Controller



Kathleen A. Kuzma, MBA, CPA, CGMA  
Lead Auditor

August 4, 2015

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
*Schedule of Audit Findings and Recommendations*  
For the Year Ended December 31, 2014

**A. Office Fiscal Policies and Procedures Manual**

OBSERVATION

The Conservation District maintains an Office Policies and Procedures Manual that includes a section covering Fiscal Policies and Procedures (Manual). This Manual deals only with certain aspects of the receipt and disbursement processes. The last update to this Manual occurred on February 12, 2013.

Procedures followed by staff in processing fiscal transactions have evolved over the last few years. The Manual does not reflect all the changes made by the District. There have also been numerous staffing changes over the last few years resulting in inconsistencies in the way fiscal transactions have been handled.

At the conclusion of the audit for year ended December 31, 2013, an observation was verbally communicated to District management suggesting they consider expanding the Manual to include procedures for other areas in addition to those already detailed in the receipt and disbursement functions. The following areas were discussed:

- Procurement card purchases.
- Non-Sufficient fund payments received.
- Restrictive endorsement on checks received.
- Independent verification of deposits to receipt documentation.

At the time of this current audit it was noted that no updates had been made to the Manual. Certain items came to our attention during this current audit that possibly could have been avoided if certain procedures were detailed in the Manual. While these items appear to be isolated instances, they are not considered significant findings individually or taken as a whole. Collectively, if not addressed, they could have an impact on the internal control structure of the District over time. Circumstances surrounding these items resulted in additional time being spent on the audit. The items of concern involved the following areas:

- Miscellaneous receipt log entries and donations received.
- Posting of miscellaneous grant revenue.
- Verification of fund balances for unspent grant funding.
- Expenditure line item postings.
- Manual receipt procedures.
- Staff travel expense reimbursements.

RECOMMENDATION

Since the purpose of a manual is to provide a resource for staff to guide them in the work they perform on a day-to-day basis, the Fiscal Policies and Procedures included in the Office Policies and Procedures Manual should contain a current and comprehensive set of procedures for staff. Management should review and update this Manual on a

COUNTY OF NORTHAMPTON, PENNSYLVANIA  
Conservation District  
*Schedule of Audit Findings and Recommendations*  
For the Year Ended December 31, 2014

regular basis to ensure it accurately reflects all critical areas of the actual fiscal policies and procedures.

Management should also review the financial system (IFAS) on a regular basis to ensure that transactions are being processed correctly. Management and staff should be trained in the techniques necessary to ensure County and District policies are being followed. Staff needs to be made aware of their role in ensuring financial transactions are accurately reflected and need to be aware of when they should notify management of circumstances that affect financial transactions.

**MANAGEMENT RESPONSE**

**Chryss Buchman, Conservation District Manager**

In response to your Observation regarding the Office Fiscal Policies and Procedures Manual, the items of concern will be reviewed by the Administration/Operations Committee for amendment and the amendments will be recommended to the Board of Directors for approval. Review will begin at the next Administration/Operations Committee meeting scheduled for September 8, 2015.

The financial system (IFAS) is reviewed regularly by the District Manager to insure that revenues and expenditures are properly recorded. Monthly reports are printed and provided to staff and Board members at the regular Board of Directors meetings. The staff have been made aware of Office Fiscal Policies and Procedures and the importance of reviewing grants to ensure financial transactions are accurately reflected in the financial system. The revised Office Fiscal Policies and Procedures, as noted above, will be available for the staff to reference in their day-to-day duties.