

County Controller

Richard J. Szulborski

Audit Manager

Anthony Sabino, CIA

Solicitor

Robert A. Nitchkey, Jr., Esq.

County Executive

Lamont G. McClure, Jr.

County Council

Lori Vargo Heffner, President
Kerry L. Myers, Vice-President
John A. Brown
John Cusick
Thomas A. Giovanni
John P. Goffredo
Ronald R. Heckman
Kevin Lott
Tara M. Zrinski

Financial Audit Report

STATEMENT OF REVENUES
AND EXPENDITURES OF
THE CONSERVATION
DISTRICT

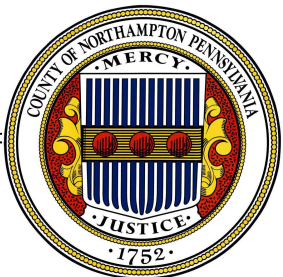
Year Ended 12/31/2021

Office of the Controller
County of Northampton
Pennsylvania

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Statement of Revenue and Expenditures of Conservation District
For the Year Ended 12/31/2021

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RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

ANTHONY SABINO, CIA
Audit Manager

ROBERT A. NITCHKEY, JR., ESQ.
Solicitor

PHONE (610) 829-6617
FAX (610) 559-3137

Independent Auditor's Report

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
Members of the Northampton County Conservation District Board of Directors
County of Northampton, Pennsylvania

Opinion

We have audited the accompanying Statement of Revenues and Expenditures of the Conservation District of the County of Northampton, Pennsylvania (District), for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statement referred to above present fairly, in all material respects, the Revenues and Expenditures of the Conservation District as of 12/31/2021 in accordance with accounting principles generally accepted in the United States of America. However, we noted control deficiencies or other management issues that are described in the accompanying Schedule of Audit Findings and Recommendations.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities 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 opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility 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 opinion. 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with GAAS, 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.

Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Reporting Required by Government Auditing Standards

As described in Note 1, the accompanying financial statement was prepared for the purpose of complying with the Commonwealth of Pennsylvania, State Conservation Commission reporting requirements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Conservation District of the County of Northampton's internal control over financial reporting and compliance.

Very truly yours,



Richard J. Szulborski
County of Northampton Controller
Easton, Pennsylvania



Gurpreet Kaur, CPA
Lead Auditor

November 18, 2022

COUNTY OF NORTHAMPTON, PENNSYLVANIA
 Conservation District
 Statement of Revenues and Expenditures
 For the Year Ended December 31, 2021

REVENUES	Amount	
Dirt and Gravel Road Programs (Note 2)	\$35,305	
Low-Volume Road Maintenance Program (Note 2)	62,113	
Spotted Lanternfly Program	0	
NACD COTA Program	32,625	
Administrative Assistance Program	26,992	
Conservation District Fund Allocation Program	16,847	
Watershed Specialist Funding	45,250	
Agricultural Conservation Technicians/Engineers (ACT) Project	14,242	
Nutrient Management Program	15,007	
Act 13 UGWF Block Grant (Note 4)	61,922	
Miscellaneous Grants (Note 5)	2,500	
Clean Water Fees (Note 3)	57,000	
Subdivision Plan Review Fees	686,993	
Enforcement Cost Recovery (Note 6)	1,007	
Miscellaneous Revenue (Note 7)	1,140	
TOTAL REVENUES	1,058,943	\$1,058,943
EXPENDITURES		
Salaries	519,720	
Fringe Benefits	219,552	
Misc. Employee Benefits	4,442	
Communications	4,581	
Administrative Supplies and Equipment	17,141	
Services and Other Operating Supplies	3,533	
Transportation	4,776	
Professional Services	2,500	
Purchased Services	82,070	
Program Operating Costs	1,465	
TOTAL EXPENDITURES	859,780	<u>\$859,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		<u>\$199,163</u>

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Statement of Revenues and Expenditures
For the Year Ended December 31, 2021

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 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 of the District are accounted for in the General Fund and not separately, a Balance Sheet is not presented.

NOTE 2: Dirt, Gravel, and Low-Volume Road Maintenance Program

Funding from the Dirt, Gravel, and Low-Volume Road Maintenance Program is being accounted for in two separate Special Revenue Funds. As of December 31, 2021, the funding for Dirt and Gravel Program and Low-Volume Road Program deferred for future expenditures amounted to \$211,222 and \$124,759 respectively.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Statement of Revenues and Expenditures
For the Year Ended December 31, 2021

NOTE 3: Clean Water Fees

Funds received from the Clean Water fees are being accounted for in a Special Revenue Fund. As of December 31, 2021, the Clean Water fees deferred for future expenditures amounted to \$509,848.

NOTE 4: Act 13 Unconventional Gas Well Funds (UGWF) Block Grant

Funds received for the PUC UGWF Block Grant are being accounted for in a Special Revenue Fund. As of December 31, 2021, the funding deferred for future expenditures amounted to \$357,759.

NOTE 5: Miscellaneous Grants

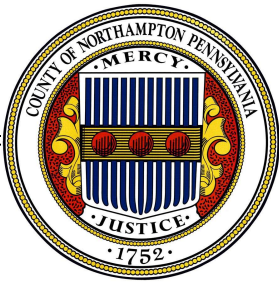
The District was awarded a NPS Educational Mini-Grant in the amount of \$2,500 during 2021 from Pennsylvania Association of Conservation Districts Inc. (PACD) to assist the District with costs associated with the "Fundamentals of Steam Ecology" project.

NOTE 6: Enforcement Cost Recovery

During 2021, the District received enforcement cost recovery funds in the amount of \$1,007. The total deferred for future projects amounted to \$11,990.

NOTE 7: Miscellaneous Revenue

During 2021, the District received revenue of \$1,140 from various sources. This revenue line item is comprised of interest income (\$683) and expense reimbursements for various Conservation District programs and functions (\$457). The total education program sponsorships deferred to future programs amounted to \$6,933.



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

ANTHONY SABINO, CIA
Audit Manager

PHONE (610) 829-6617
FAX (610) 559-3137

ROBERT A. NITCHKEY, JR., ESQ.
Solicitor

**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
Independent Auditor's Report**

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
Members of the Northampton County Conservation District Board of Directors
County of Northampton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* County of Northampton, Pennsylvania issued by the Comptroller General of the United States, the Statement of Revenue and Expenditures of the Conservation District of the County of Northampton (District), Pennsylvania, as of the year ended December 31, 2021 and the related notes to the financial statements, and have issued our report thereon dated November 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 District's internal control. Accordingly, we 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of District in the accompanying Schedule of Audit Findings and Recommendations as items A and B.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Richard J. Szulborski
County of Northampton Controller
Easton, Pennsylvania



Gurpreet Kaur, CPA
Lead Auditor

November 18, 2022

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Schedule of Audit Findings and Recommendations
For the Year Ended 12/31/2021

A. Controls Over Recording of Receipts

OBSERVATION

In our testing of receipts, we noted that five deposits were entered into the wrong org in OneSolution. The District's Fiscal Policies and Procedures require that the district manager use a log of receipts to verify the deposit being made. We noted that the manager maintains a log for receipts and the log of receipts was correct, but the Daily Cash Summary Sheets were in error and these errors were not caught prior to entry into OneSolution. Deposits include grants received by the District with different restrictions. Deposits should be coded to the correct org to ensure they are used according to restrictions. It will also ensure the correct balance at year end. It should be noted that we properly reclassified these entries for presentation in the Financial Statements included in this report.

RECOMMENDATION

Daily Cash Summary Sheets prepared by the Office Staff should be compared to the Manager's Log of Receipts by the Manager prior to submitting the sheet to the Revenue Division for entry. It will ensure proper recording of deposits.

MANAGEMENT RESPONSE – Dion Campbell, Conservation District Manager

The Manager has read the Observation and acknowledges their role in this deficiency. The Manager will meet with the Office Staff that prepare the Daily Cash Summary Sheets to review the District's Fiscal Policy and Procedures for deposits. The Manager will emphasize that the Office Staff is referred to the Manager's Log of Receipts for the ORG codes for the grant payments that are made by check when preparing the Daily Cash Summary Sheets. The Manager will then check the entries on the Daily Cash Summary Sheets against the Manager's Log of Receipts to verify that the correct ORG is entered for each grant payment before submitting the sheet to the Revenue Division for entry.

B. Timely Deposit of Receipts

OBSERVATION

In our audit, we selected 13 deposits for review and noted that seven of them were deposited 10 days or later from the date of receipt. In one instance, the deposit was made 21 days after the date of receipt. State regulations indicate that deposits should be made no later than 10 calendar days from the date of receipt and the District's Fiscal Policies and Procedures states that deposits should be made approximately once a week. Delays in depositing receipts increases the risk of misappropriation or misplacement of funds.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Schedule of Audit Findings and Recommendations
For the Year Ended 12/31/2021

RECOMMENDATION

Deposits should be made once a week to comply with the District's Fiscal Policies and Procedures. It will also cover state requirements of deposit within 10 calendar days. Timely deposit will reduce the risk of misappropriation or misplacement of funds.

MANAGEMENT RESPONSE – Dion Campbell, Conservation District Manager

The Manager has read the Observation and acknowledges this deficiency. The Manager will make every effort to ensure that deposits are made weekly at a minimum and no more than 10 days after the receipt of any check going forward to be in compliance with both the state regulations and District'ss Fiscal Policy and Procedures.