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

Year Ended December 31, 2015

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

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
For the Year Ended December 31, 2015

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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, 2015. 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
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Members of the Northampton County Conservation District
Board of Directors
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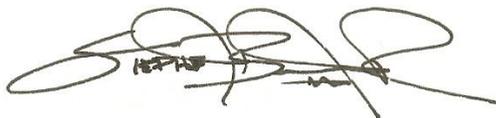
of operations of the County of Northampton, Pennsylvania, in conformity with accounting principles generally accepted in the United States of America.

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, 2015 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 11, 2016 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 11, 2016

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Statement of Revenues and Expenditures
For the Year Ended December 31, 2015

REVENUES

Dirt and Gravel Road Program (Note 2)	\$ 100,000	
Low Volume Road Program (Note 2)	117,091	
Administrative Assistance Program	25,189	
Conservation District Fund Allocation Program	36,933	
Watershed Specialist Funding	19,698	
Agricultural Conservation Technicians/Engineers (ACT) Project	12,324	
Nutrient Management Act Program	0	
Act 13 UGWF Block Grant (Note 4)	56,818	
Miscellaneous Grants (Note 5)	2,642	
Clean Water Fees (Note 3)	58,500	
Subdivision Plan Review Fees	277,477	
Miscellaneous Revenue (Note 6)	6,192	
TOTAL REVENUES		\$ 712,864

EXPENDITURES

Salaries	\$ 269,877	
Fringe Benefits	122,060	
Communications	4,598	
Administrative Supplies and Equipment	9,518	
Services and Other Operating Supplies	5,961	
Transportation	4,949	
Professional Services	300	
Purchased Services	7,392	
Program Operation Costs	3,620	
TOTAL EXPENDITURES		428,275
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		\$ 284,589

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, 2015

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 and Low Volume Road Programs

Funding from the Dirt and Gravel and Low Volume Road Programs are being accounted for in separate Special Revenue Funds. As of December 31, 2015, the funding for Dirt and Gravel and Low Volume Road Programs deferred for future expenditures amounted to \$118,571 and \$117,301, respectively.

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Notes to Financial Statement
For the Year Ended December 31, 2015

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, 2015, the Clean Water fees deferred for future expenditures amounted to \$378,132.

NOTE 4: 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, 2015, the funding deferred for future expenditures amounted to \$109,680.

NOTE 5: Miscellaneous Grants

In 2015, 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 \$1,800 for a workshop for educators entitled "Stop the Mud" held October 2014. During year ended December 31, 2015, total costs of \$1,714 were reimbursed to the District for this workshop.
- An Environmental Education grant in the amount of \$700 was awarded and received during 2015 from Pennsylvania Envirothon, Inc. to assist the District with costs associated with the annual County Envirothon.
- 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. This Nancy Run project was not feasible and funding was returned during 2015.
- The Lehigh Gap Nature Center provided a \$3,000 grant to reimburse the Conservation District for tree planting for the Fry's Run Riparian Planting project.
- The Watershed Coalition of the Lehigh Valley provided a \$1,228 grant to assist the Conservation District for costs associated with the Fry's Run Riparian Planting project.
- The Coldwater Heritage partnership provided the final payment of \$1,000 toward the 2013 grant of \$10,000 for completion of the Fry's Run Stream Bank Stabilization and Riparian Buffer project.

NOTE 6: Miscellaneous Revenue

The funds reported in the Miscellaneous Revenue line item are comprised of interest income (\$313), annual Envirothon program sponsorships (\$5,350), and registration fees and expense reimbursements for various Conservation District programs and functions (\$529).



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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, 2015 and have issued our report thereon dated August 11, 2016. 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.

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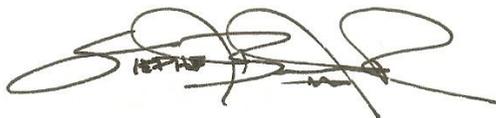
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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*.

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 11, 2016

COUNTY OF NORTHAMPTON, PENNSYLVANIA
Conservation District
Status of Prior Year Findings
For the Year Ended December 31, 2015

Status of Prior Year Findings

A. Office Fiscal Policies and Procedures Manual

BACKGROUND

We recommended that management review and update their Fiscal Policies and Procedures Manual on a regular basis so that it encompasses all aspects of their fiscal policies and procedures. Specific areas of concern were presented to management for consideration.

We further recommended that staff be trained to ensure County and District policies are being followed.

In response to the prior year's audit finding, management agreed to have the specific areas of concern reviewed by the Administration/Operations Committee for amendments. The amendments were to be recommended to the full Board of Directors for approval. This process was to begin with the committee meeting scheduled for September 8, 2015. Management stated that the staff had been made aware of the Fiscal Policies and Procedures and the importance of accurately reporting financial transactions. Management further stated that the revised Fiscal Policies and Procedures Manual would be available for the staff to reference in their day-to-day duties.

STATUS

The Fiscal Policies and Procedures Manual was revised by the Conservation District Board of Directors effective 10/13/2015.

AUDITOR'S COMMENT

A review of this revised Fiscal Policies and Procedures Manual showed that the areas of concern presented for consideration were addressed. Management should continue to periodically review the Fiscal Policies and Procedures Manual, and all their policies and procedures, and update them as necessary.