

MORRIS COUNTY SOIL CONSERVATION DISTRICT

MORRISTOWN, NEW JERSEY

REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

MORRIS COUNTY SOIL CONSERVATION DISTRICT
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MORRIS COUNTY SOIL CONSERVATION DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Welch	Chairman	2013
Louise Davis	Vice Chairman	2014
Jeannette Bonin	Treasurer	2012
Mark Slaff	Assistant Treasurer	2014
Margaret Nordstrom	Secretary	2012

Management and Administrative Staff

Joseph P. Dunn	District Manager
Jackie Connelly	Bookkeeper

Independent Auditors' Report on Financial Statements and Supplementary Schedule

To the Board of Supervisors
Morris County Soil Conservation District
Morristown, NJ

We have audited the Statement of Financial Position of Morris County Soil Conservation District (the "District") as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2011 financial statements and, in our report dated September 16, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Department of Agriculture's Financial Accounting Manual revised September 13, 2007, required by the New Jersey State Soil Conservation Committee. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles and practices prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey (the "Committee"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the Morris County Soil Conservation District prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Morris County Soil Conservation District as of June 30, 2012, and the results of its operations for the year then ended.

However, in our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Morris County Soil Conservation District at June 30, 2012, and the results of its operations for the year then ended, in accordance with accounting principles prescribed by the Committee, as described in Note 1.

To the Board of Supervisors
Morris County Soil Conservation District
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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of budget versus actual revenue and expenditures – all funds combined and schedules of federal and state awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

Nisivaccia LLP

September 27, 2012
Mt. Arlington, New Jersey

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	Unrestricted Fund	Temporarily Restricted		Totals		
		Chapter 251	Equipment Fund	Special Projects	June 30,	
					2012	2011
<u>ASSETS</u>						
Current assets:						
Cash		\$ 361,362			\$ 361,362	\$ 415,179
Certificates of deposit		323,605			323,605	322,431
Cash restricted for performance bonds		29,603			29,603	37,911
Accounts receivable	\$ 12,500			\$ 3,051	15,551	14,985
Prepaid expense	4,977				4,977	
Total current assets	<u>17,477</u>	<u>714,570</u>		<u>3,051</u>	<u>735,098</u>	<u>790,506</u>
Office furniture and equipment			\$ 98,254		98,254	98,254
Less: accumulated depreciation			(82,566)		(82,566)	(80,040)
Total office furniture and equipment			<u>15,688</u>		<u>15,688</u>	<u>18,214</u>
Total assets	<u>\$ 17,477</u>	<u>\$ 714,570</u>	<u>\$ 15,688</u>	<u>\$ 3,051</u>	<u>\$ 750,786</u>	<u>\$ 808,720</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses		\$ 67,204			\$ 67,204	\$ 69,357
Performance bonds payable		29,603			29,603	37,911
Deferred grant revenue				\$ 10,000	10,000	10,000
Due to (from) other funds	\$ (30,796)	30,796				
Total current liabilities	<u>(30,796)</u>	<u>127,603</u>		<u>10,000</u>	<u>106,807</u>	<u>117,268</u>
Reserves:						
Reserve for future Soil Erosion and Sediment Control Act expenditures		238,257			238,257	226,436
Total reserves		<u>238,257</u>			<u>238,257</u>	<u>226,436</u>
Unrestricted net assets	48,273				48,273	34,713
Temporarily restricted net assets		348,710	\$ 15,688	(6,949)	357,449	430,303
Total net assets	<u>48,273</u>	<u>348,710</u>	<u>15,688</u>	<u>(6,949)</u>	<u>405,722</u>	<u>465,016</u>
Total liabilities and net assets	<u>\$ 17,477</u>	<u>\$ 714,570</u>	<u>\$ 15,688</u>	<u>\$ 3,051</u>	<u>\$ 750,786</u>	<u>\$ 808,720</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Unrestricted Fund	Temporarily Restricted			Totals For the Year Ended June 30,	
		Chapter 251	Equipment Fund	Special Projects	2012	2011
Support and revenue:						
Soil Erosion and Sediment Control Act fees		\$ 350,998		\$ 350,998	\$ 262,880	
Seedling sales					3,517	
Forestry income	\$ 10,850			10,850	10,545	
Nursery income	900			900		
Rain Barrel income	2,755			2,755	7,209	
Morris County Board of Chosen Freeholders grant	24,300			24,300	25,050	
Stormwater permit revenue				\$ 8,995	12,740	
Interest income		1,291		1,291	3,329	
Other income	189			189	667	
County and State in-kind support		56,000		56,000	50,000	
NJACD natural resource grant				4,000		
Outreach workshop grant				8,303		
Total support and revenue	38,994	408,289		468,581	375,937	
Expenses:						
Salaries and wages	17,280	261,264		287,918	328,636	
Supplies		1,949		3,766	2,628	
Forestry expenses					301	
Seedling purchases					2,699	
Nursery expenses	139			139	1,243	
Rain Barrel expenses					6,226	
Dues and registrations		1,930		1,930	2,483	
Professional fees		6,040		6,040	6,120	
Repairs and maintenance					227	
Payroll tax expense	723	23,130		23,853	26,307	
Telephone		2,824		2,824	1,406	
Office expense		6,804		6,804	7,320	
Travel and meals		12,787		13,388	15,637	
Employee benefits	7,292	84,172		92,857	95,734	
Insurance		14,286		14,286	8,264	
Conferences and seminars		1,797		1,797	2,103	
Depreciation			\$ 2,526	2,526	2,557	
Other		1,926		1,926	7,411	
County and State in-kind expenses		56,000		56,000	50,000	
Total expenses	25,434	474,909	2,526	516,054	567,302	

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)
 (CONTINUED)

	Unrestricted Fund	Temporarily Restricted			Totals For the Year Ended June 30,	
		Chapter 251	Equipment Fund	Special Projects	2012	2011
Excess (deficiency) of support and revenue over expenses	13,560	(66,620)	(2,526)	8,113	(47,473)	(191,365)
Fund balance, beginning of year	34,713	181,243	18,214	230,846	465,016	597,960
Transfer to Chapter 251 fund		245,908		(245,908)		
Increase in Reserve for future Soil Erosion and Sediment Control Act Expenditures		(11,821)			(11,821)	58,421
Fund balance, end of year	<u>\$ 48,273</u>	<u>\$ 348,710</u>	<u>\$ 15,688</u>	<u>\$ (6,949)</u>	<u>\$ 405,722</u>	<u>\$ 465,016</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Deficiency of support and revenue over expenses	\$ (47,473)
Adjustments to reconcile deficiency of support and revenue over expenses to net cash used in operating activities:	
Depreciation	2,526
Changes in operating assets and liabilities:	
Accounts receivable	(566)
Prepaid expense	(4,977)
Accounts payable and accrued expenses	(2,153)
Performance bonds payable	(8,308)
Net cash used in operating activities	<u>(60,951)</u>
Net decrease in cash and temporary investments	(60,951)
Cash and temporary investments	
Beginning of year	<u>775,521</u>
End of year	<u>\$ 714,570</u>
Supplemental disclosure of non-cash activities	
Current year increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	11,821

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL REVENUE AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Total Funds For the Year Ended June 30, 2012			Total Funds For the Year Ended June 30, 2011
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 294,750	\$ 350,998	\$ 56,248	\$ 262,880
Seedling sales				3,517
Forestry income	10,250	10,850	600	10,545
Nursery income	3,400	900	(2,500)	
Rain Barrel income	3,500	2,755	(745)	7,209
Morris County Board of Chosen Freeholders grant	25,000	24,300	(700)	25,050
Stormwater permit revenue	12,500	8,995	(3,505)	12,740
Interest income	3,000	1,291	(1,709)	3,329
Other income	300	189	(111)	667
County and State in-kind support		56,000	56,000	50,000
NJACD natural resource grant		4,000	4,000	
Outreach workshop grant	18,000	8,303	(9,697)	
Total support and revenue	<u>370,700</u>	<u>468,581</u>	<u>97,881</u>	<u>375,937</u>
Expenses:				
Salaries and wages	315,000	287,918	(27,082)	328,636
Supplies	5,100	3,766	(1,334)	2,628
Forestry expenses	500		(500)	301
Seedling purchases				2,699
Nursery expenses	2,500	139	(2,361)	1,243
Rain Barrel expenses	500		(500)	6,226
Dues and registrations	3,000	1,930	(1,070)	2,483
Professional fees	8,000	6,040	(1,960)	6,120
Repairs and maintenance	500		(500)	227
Payroll tax expense	30,000	23,853	(6,147)	26,307
Telephone	4,950	2,824	(2,126)	1,406
Office expense	8,700	6,804	(1,896)	7,320
Travel and meals	16,500	13,388	(3,112)	15,637
Employee benefits	105,000	92,857	(12,143)	95,734
Insurance	14,500	14,286	(214)	8,264
Conferences and seminars	3,000	1,797	(1,203)	2,103
Depreciation		2,526	2,526	2,557
Other	12,300	1,926	(10,374)	7,411
County and State in-kind expenses		56,000	56,000	50,000
Total expenses	<u>530,050</u>	<u>516,054</u>	<u>(13,996)</u>	<u>567,302</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (159,350)</u>	<u>\$ (47,473)</u>	<u>\$ 111,877</u>	<u>\$ (191,365)</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Program

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Program Award Amount</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Natural Resources Conservation Service (NRCS) Outreach Workshops	10.902	\$ 18,000	\$ 8,302	\$ 8,302
Natural Resources Conservation Service (NRCS) Local Work Groups Program	10.902	\$ 4,000	4,000	4,000
Total Expenditures of Federal Awards			<u>\$ 12,302</u>	<u>\$ 12,302</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

State Program

<u>State Grantor</u>	<u>State Grant/ Number</u>	<u>Program Award Amount</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
Department of Environmental Protection Forestry Management Grant - 2002	04248703235234	\$ 10,000	\$	\$

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies

Organization

The Morris County Soil Conservation District is one of fifteen Districts in the State of New Jersey under the auspices of the New Jersey Department of Agriculture. Each District is governed by a Board of Supervisors, which sets policies and performance guidelines. The Districts work closely with the U.S. Soil Conservation Service to promote the wise use of soil and water resources. In 1976 the Districts in New Jersey were mandated to administer Chapter 251, The Soil Erosion and Sediment Control Act of 1975, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources, and enhance soil quality.

Financial Statement Presentation

The District is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets can be expended by the District for any aspect of its operations, at any time, as determined by management. Temporarily restricted net assets are either restricted as to a specific program, a specific time period or both, but eventually, will be expended by the District. Permanently restricted net assets can never be expended, but benefit the District through investment earnings on such assets. At June 30, 2012, the District had only unrestricted and temporarily restricted net assets.

Basis of Accounting

All District funds are accounted for using the modified accrual basis of accounting. Revenue is recorded when received in cash, except where it is susceptible to accrual as being both measurable and available. Expenses are recorded as liabilities are incurred. Recorded adjustments to the Reserve for Future Chapter 251 Expenditures Account and the Reserve for Future Legal Costs Account are limited to amounts required to bring their reserve account balances to their maximum limits. Generally, expenses benefiting more than one accounting period are not divided between years by recognizing prepaid expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles and practices prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 1 - Summary of Significant Accounting Policies (cont'd)

Property and Equipment

Property and equipment are recorded at cost. Major renewals and betterments are charged to the property accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Depreciation is provided for over the estimated useful lives of the related assets using the straight-line method. The principal estimated useful lives used in computing the depreciation provisions are as follows:

Equipment	3-5 years
Furniture and fixtures	5-7 years
Buildings and improvements	10 years

Total Columns

Total columns are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position.

Cash and Temporary Investments

Operating funds and temporary investments consist of demand deposits and temporary investments in the form of certificates of deposit held at various financial institutions. At times, amounts on deposit exceed federally insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible.

Performance Bonds

Performance bonds are received on projects where the work is not complete but the contractor requests a temporary certificate of occupancy. The bonds are deposited in an escrow cash account and interest earned is for the benefit of the contractor. The District retains an administrative fee from the initial bond deposit and returns the bond to the contractor upon completion of the project. Bonded projects are typically completed within one year and, accordingly, the escrow cash is recorded as temporarily restricted in the current section of the balance sheet.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 2 - In-kind Support

In-kind support, which is not controlled by the District, consists of estimated payroll, rent and administrative overhead provided by county and state governments to assist in the operations of the District, as follows:

	For the Year Ended June 30, 2012		
	County	State	Total
Technical support		\$ 42,000	\$ 42,000
Direct support:			
Rent	\$ 14,000		14,000
	\$ 14,000	\$ 42,000	\$ 56,000

Note 3 - Reserve for Future Soil Erosion and Sediment Control Act Expenditures

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to account for all related costs of future site inspections for projects currently in progress, for which fees under the Soil Conservation Act, NJSA 4:24, et seq. have previously been collected. The current balance of the reserve is calculated by multiplying the certification fees collected during the current and two preceding years by the following percentages:

	Certification Fees Collected to June 30,	Reserve Balance June 30, 2012
2010	\$ 452,821 x 10%	\$ 45,283
2011	\$ 262,880 x 20%	52,576
2012	\$ 350,998 x 40%	140,399
		\$ 238,257

Note 4 - Pension

District employees are enrolled in the Public Employees' Retirement System (PERS) of New Jersey. The State of New Jersey sponsors and administers this plan which covers substantially all District employees. As a general rule, all full-time employees are required to join the public employee retirement system.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 4 - Pension (cont'd)

Employees who are members of PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on a percentage of 5.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

District contributions to the plan amounted to \$40,940 for the year ended June 30, 2012. The contributions represented 100% of the District's annual pension costs (APC).

MORRIS COUNTY SOIL CONSERVATION DISTRICT
CURRENT YEAR RECOMMENDATIONS
JUNE 30, 2012

Segregation of Duties

The Financial Accounting Manual for New Jersey Soil Conservation Districts provides several internal control recommendations with an overall premise of segregation of duties. The principal concept is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

At present, the District's bookkeeper is responsible for all accounting functions including cash disbursements, payroll, accruals, all journal entries, and financial statement preparation. Additionally, all bank statements are received and reconciled by the bookkeeper, although all cash deposits are made by an employee other than the bookkeeper.

While several steps have been taken to address the effect on internal controls due to lack of segregation of duties, we recommend that Management continually monitors the situation.

Forestry Grant

A \$10,000 forestry grant was received in 2002 for a forestry project in the Passaic River Watershed. As of the date of our report, the project has not been started, the grant funds have not been utilized, and approval for an alternate use of the funds has not been granted.

We recommend that management continue to review the terms of this grant through contact with the State of New Jersey – Department of Environmental Protection to confirm that the District is still entitled to this grant, and determine whether or not an alternate use of the funds can be approved.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
PRIOR YEAR RECOMMENDATIONS
JUNE 30, 2011

Segregation of Duties

The Financial Accounting Manual for New Jersey Soil Conservation Districts provides several internal control recommendations with an overall premise of segregation of duties. The principal concept is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

At present, the District's bookkeeper is responsible for all accounting functions including cash disbursements, payroll, accruals, all journal entries, and financial statement preparation. Additionally, all bank statements are received and reconciled by the bookkeeper, although all cash deposits are made by an employee other than the bookkeeper.

While several steps have been taken to address the effect on internal controls due to lack of segregation of duties, we recommend that Management continually monitors the situation.

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We recommend that management continue to review the terms of this grant through contact with the State of New Jersey – Department of Environmental Protection to confirm that the District is still entitled to this grant, and determine whether or not an alternate use of the funds can be approved.

Bank Deposits

During our auditing procedures, it was noted that funds received are not consistently being deposited within 2 business days as required by the Department of Agriculture's Financial Accounting Manual.

We recommend that procedures be implemented to ensure all funds received are deposited in a timely manner.