

MORRIS COUNTY SOIL CONSERVATION DISTRICT

MORRISTOWN, NEW JERSEY

REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

MORRIS COUNTY SOIL CONSERVATION DISTRICT
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MORRIS COUNTY SOIL CONSERVATION DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2013

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Welch	Chairman	2016
Louise Davis	Vice Chairman	2014
Mark Slaff	Treasurer	2014
Robert McEwan	Assistant Treasurer	2015
Phillip Roehrich	Secretary	2015

Management and Administrative Staff

Joseph P. Dunn	District Manager
Jacqueline Connelly	Bookkeeper



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 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
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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, 2013, 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 2012 financial statements and, in our report dated September 27, 2012, 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, 2013, 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, 2013, 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.

Nisivoccia LLP

October 11, 2013
Mt. Arlington, New Jersey

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

	Unrestricted Fund	Temporarily Restricted		Totals June 30,	
		Chapter 251	Equipment Fund	Special Projects	2013
<u>ASSETS</u>					
Current assets:					
Cash	\$ 30,801	\$ 285,633		\$ 316,434	\$ 361,362
Certificates of deposit		324,482		324,482	323,605
Cash restricted for performance bonds		110,412		110,412	29,603
Accounts receivable	12,500		\$ 3,450	15,950	15,551
Prepaid expense					4,977
Total current assets	<u>43,301</u>	<u>720,527</u>	<u>3,450</u>	<u>767,278</u>	<u>735,098</u>
Office furniture and equipment			\$ 98,254	98,254	98,254
Less: accumulated depreciation			(85,092)	(85,092)	(82,566)
Total office furniture and equipment			<u>13,162</u>	<u>13,162</u>	<u>15,688</u>
Total assets	<u>\$ 43,301</u>	<u>\$ 720,527</u>	<u>\$ 13,162</u>	<u>\$ 780,440</u>	<u>\$ 750,786</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses		\$ 73,322		\$ 73,322	\$ 67,204
Performance bonds payable		110,412		110,412	29,603
Deferred grant revenue			\$ 10,000	10,000	10,000
Due to (from) other funds	\$ (12,302)	12,302			
Total current liabilities	<u>(12,302)</u>	<u>196,036</u>	<u>10,000</u>	<u>193,734</u>	<u>106,807</u>
Reserves:					
Reserve for future Soil Erosion and Sediment Control Act expenditures		241,482		241,482	238,257
Total reserves		<u>241,482</u>		<u>241,482</u>	<u>238,257</u>
Unrestricted net assets	55,603			55,603	48,273
Temporarily restricted net assets		283,009	\$ 13,162	289,621	357,449
Total net assets	<u>55,603</u>	<u>283,009</u>	<u>13,162</u>	<u>345,224</u>	<u>405,722</u>
Total liabilities and net assets	<u>\$ 43,301</u>	<u>\$ 720,527</u>	<u>\$ 13,162</u>	<u>\$ 780,440</u>	<u>\$ 750,786</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)
(Continued)

	Unrestricted Fund	Temporarily Restricted		Totals For the Year Ended June 30,		
		Chapter 251	Equipment Fund	Special Projects	2013	2012
Excess (deficiency) of support and revenue over expenses	12,307	(75,765)	(2,526)	8,711	(57,273)	(47,473)
Fund balance, beginning of year	48,273	348,710	15,688	(6,949)	405,722	465,016
Transfer to Chapter 251 fund	(4,977)	13,289		(8,312)		
Increase in Reserve for future Soil Erosion and Sediment Control Act Expenditures		(3,225)			(3,225)	(11,821)
Fund balance, end of year	<u>\$ 55,603</u>	<u>\$ 283,009</u>	<u>\$ 13,162</u>	<u>\$ (6,550)</u>	<u>\$ 345,224</u>	<u>\$ 405,722</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Deficiency of support and revenue over expenses	\$ (57,273)
Adjustments to reconcile deficiency of support and revenue over expenses to net cash provided by operating activities:	
Depreciation	2,526
Changes in operating assets and liabilities:	
Accounts receivable	(399)
Prepaid expense	4,977
Accounts payable and accrued expenses	6,118
Performance bonds payable	80,809
Net cash provided by operating activities	<u>36,758</u>
Net increase in cash and temporary investments	36,758
Cash and temporary investments	
Beginning of year	<u>714,570</u>
End of year	<u>\$ 751,328</u>
Supplemental disclosure of non-cash activities	
Current year increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ 3,225</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL REVENUE AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Total Funds For the Year Ended June 30, 2013			Total Funds For the Year Ended June 30, 2012
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 352,250	\$ 362,485	\$ 10,235	\$ 350,998
Forestry income	10,250	9,620	(630)	10,850
Nursery income	1,000	29,099	28,099	900
Rain Barrel income	2,000	204	(1,796)	2,755
Morris County Board of Chosen Freeholders grant	25,000	24,825	(175)	24,300
Stormwater permit revenue	10,000	7,490	(2,510)	8,995
Interest income	2,000	1,006	(994)	1,291
Other income	300	55	(245)	189
County and State in-kind support		60,867	60,867	56,000
NJACD natural resource grant				4,000
Outreach workshop grant	8,000	3,819	(4,181)	8,303
Total support and revenue	<u>410,800</u>	<u>499,470</u>	<u>88,670</u>	<u>468,581</u>
Expenses:				
Salaries and wages	315,000	300,361	(14,639)	287,918
Supplies	4,000	3,059	(941)	3,766
Forestry expenses	500		(500)	
Nursery expenses	2,000	24,761	22,761	139
Rain Barrel expenses	500		(500)	
Dues and registrations	3,000	1,720	(1,280)	1,930
Professional fees	8,000	7,630	(370)	6,040
Repairs and maintenance	500	216	(284)	
Payroll tax expense	30,000	24,611	(5,389)	23,853
Telephone	4,950	2,803	(2,147)	2,824
Office expense	8,700	6,823	(1,877)	6,804
Travel and meals	16,400	14,819	(1,581)	13,388
Employee benefits	106,000	91,088	(14,912)	92,857
Insurance	14,500	12,650	(1,850)	14,286
Conferences and seminars	3,000	1,615	(1,385)	1,797
Depreciation		2,526	2,526	2,526
Other	18,200	1,194	(17,006)	1,926
County and State in-kind expenses		60,867	60,867	56,000
Total expenses	<u>535,250</u>	<u>556,743</u>	<u>21,493</u>	<u>516,054</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (124,450)</u>	<u>\$ (57,273)</u>	<u>\$ 67,177</u>	<u>\$ (47,473)</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 3,819	\$ 12,121

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>State Program</u>				
<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, 2013

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, 2013, 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.

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.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(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

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.

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, 2013		
	County	State	Total
Technical support		\$ 46,867	\$ 46,867
Direct support:			
Rent	\$ 14,000		14,000
	\$ 14,000	\$ 46,867	\$ 60,867

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

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, 2013
2011 \$ 262,880 x 10%	\$ 26,288
2012 \$ 350,998 x 20%	70,200
2013 \$ 362,485 x 40%	144,994
	\$ 241,482

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.

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 6.64% of employees' annual compensation, as defined. As of July 2012, the employees' annual contribution percentage began a yearly increase of 0.14% which will occur every July for the next six consecutive years. 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 \$36,675 for the year ended June 30, 2013. The contributions represented 100% of the District's annual pension costs (APC).

MORRIS COUNTY SOIL CONSERVATION DISTRICT
CURRENT YEAR RECOMMENDATIONS
JUNE 30, 2013

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, 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.

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