

MORRIS COUNTY SOIL CONSERVATION DISTRICT

MORRISTOWN, NEW JERSEY

REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

MORRIS COUNTY SOIL CONSERVATION DISTRICT
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JUNE 30, 2015

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MORRIS COUNTY SOIL CONSERVATION DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2015

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Welch	Chairman	2016
Louise Davis	Vice Chairman	2017
Marc Slaff	Treasurer	2016
Robert McEwan	Assistant Treasurer	2018
Phillip Roehrich	Secretary	2018

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of Morris County Soil Conservation District (the "District"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

To the Board of Supervisors
Morris County Soil Conservation District
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morris County Soil Conservation District, as of June 30, 2015, and the results of its operations and changes in net assets for the year then ended in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, described in Note 1.

Report on Summarized Comparative Information

We have previously audited Morris County Soil Conservation District's 2014 financial statements, and our report dated October 21, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1, these financial statements were prepared in conformity with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, which is a 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the foregoing table of contents is presented for the purposes of additional analysis as required by the New Jersey Department of Agriculture's Financial Accounting Manual in accordance with those standards regarding the statement of budget versus actual revenue and expenditures – all funds combined and the schedule of federal and state awards 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 and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Nisivoccia LLP

September 2, 2015
Mt. Arlington, New Jersey

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

	Unrestricted Fund	Temporarily Restricted		Total		
		Chapter 251	Equipment Fund	Special Projects	2015	2014
<u>ASSETS</u>						
Current assets:						
Cash	\$ 57,485	\$ 228,448			\$ 285,933	\$ 312,074
Certificates of deposit		325,314			325,314	324,915
Cash restricted for performance bonds		80,503			80,503	175,428
Accounts receivable	13,855			\$ 23,531	37,386	64,590
Total current assets	<u>71,340</u>	<u>634,265</u>		<u>23,531</u>	<u>729,136</u>	<u>877,007</u>
Office furniture and equipment			\$ 98,254		98,254	98,254
Less: accumulated depreciation			(89,745)		(89,745)	(87,618)
Office furniture and equipment, net			<u>8,509</u>		<u>8,509</u>	<u>10,636</u>
Total assets	<u>\$ 71,340</u>	<u>\$ 634,265</u>	<u>\$ 8,509</u>	<u>\$ 23,531</u>	<u>\$ 737,645</u>	<u>\$ 887,643</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses		\$ 71,142			\$ 71,142	\$ 71,506
Performance bonds payable		80,503			80,503	175,428
Deferred grant revenue				\$ 10,000	10,000	10,000
Due to (from) other funds	\$ (47,406)	47,406				
Total current liabilities	<u>(47,406)</u>	<u>199,051</u>		<u>10,000</u>	<u>161,645</u>	<u>256,934</u>
Reserves:						
Reserve for future Soil Erosion and Sediment Control Act expenditures		264,817			264,817	266,968
Total reserves		<u>264,817</u>			<u>264,817</u>	<u>266,968</u>
Unrestricted net assets	118,746				118,746	97,122
Temporarily restricted net assets		170,397	\$ 8,509	13,531	192,437	266,619
Total net assets	<u>118,746</u>	<u>170,397</u>	<u>8,509</u>	<u>13,531</u>	<u>311,183</u>	<u>363,741</u>
Total liabilities and net assets	<u>\$ 71,340</u>	<u>\$ 634,265</u>	<u>\$ 8,509</u>	<u>\$ 23,531</u>	<u>\$ 737,645</u>	<u>\$ 887,643</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Unrestricted Fund	Temporarily Restricted			Total	
		Chapter 251	Equipment Fund	Special Projects	2015	2014
Support and revenue:						
Soil Erosion and Sediment Control Act fees		\$ 372,208			\$ 372,208	\$ 398,427
Forestry income	\$ 12,264			\$ 21,781	34,045	62,610
Nursery income	11,000				11,000	39,547
Rain Barrel income						130
Morris County Board of Chosen Freeholders grant	24,900				24,900	24,700
Stormwater permit revenue				8,015	8,015	9,380
Interest income		534			534	579
Other income	87				87	396
County and State in-kind support		45,000			45,000	61,388
Total support and revenue	<u>48,251</u>	<u>417,742</u>		<u>29,796</u>	<u>495,789</u>	<u>597,157</u>
Expenses:						
Salaries and wages	6,789	309,801		12,485	329,075	295,239
Forestry expenses	811				811	1,619
Supplies		1,006			1,006	1,889
Nursery expenses	11,152				11,152	37,830
Dues and registrations		2,270			2,270	2,680
Professional fees		5,470			5,470	5,827
Payroll tax expense	1,694	22,508		1,268	25,470	23,433
Telephone		2,072			2,072	2,183
Office expense		6,000			6,000	6,125
Travel and meals		12,724		285	13,009	13,414
Employee benefits	6,181	82,500		2,657	91,338	86,215
Insurance		11,891			11,891	9,938
Conferences and seminars		2,028			2,028	1,489
Depreciation			\$ 2,127		2,127	2,526
Other		1,779			1,779	1,359
County and State in-kind expenses		45,000			45,000	61,388
Total expenses	<u>26,627</u>	<u>505,049</u>	<u>2,127</u>	<u>16,695</u>	<u>550,498</u>	<u>553,154</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)
 (CONTINUED)

	Unrestricted Fund	Temporarily Restricted			Total	
		Chapter 251	Equipment Fund	Special Projects	2015	2014
Excess (deficiency) of support and revenue over expenses	21,624	(87,307)	(2,127)	13,101	(54,709)	44,003
Net assets (deficiency), beginning of year	97,122	260,983	10,636	(5,000)	363,741	345,224
Transfer to Chapter 251 fund		(5,430)		5,430		
Decrease (increase) in Reserve for future Soil Erosion and Sediment Control Act Expenditures		2,151			2,151	(25,486)
Net assets, end of year	<u>\$ 118,746</u>	<u>\$ 170,397</u>	<u>\$ 8,509</u>	<u>\$ 13,531</u>	<u>\$ 311,183</u>	<u>\$ 363,741</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Excess (deficiency) of support and revenue over expenses	\$ (54,709)	\$ 44,003
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation	2,127	2,526
Changes in operating assets and liabilities:		
Accounts receivable	27,204	(48,640)
Accounts payable and accrued expenses	(364)	(1,816)
Performance bonds payable	(94,925)	65,016
Net cash provided by (used in) operating activities	<u>(120,667)</u>	<u>61,089</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(325,314)	(324,915)
Redemption of certificates of deposit	324,915	324,482
Net cash used in investing activities	<u>(399)</u>	<u>(433)</u>
Net increase (decrease) in cash and cash equivalents	(121,066)	60,656
Cash and cash equivalents, beginning of year	<u>487,502</u>	<u>426,846</u>
Cash and cash equivalent, end of year	<u>\$ 366,436</u>	<u>\$ 487,502</u>
Supplemental disclosure of non-cash activities		
Current year increase (decrease) in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ (2,151)</u>	<u>\$ 25,486</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the District had only unrestricted and temporarily restricted net assets.

Basis of Accounting

The financial statements of the District have been prepared in conformity with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the District's estimates may change in the near term.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

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

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.

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 Cash Equivalents

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, 2015		
	County	State	Total
Technical support		\$ 31,000	\$ 31,000
Direct support: Rent	\$ 14,000		14,000
	\$ 14,000	\$ 31,000	\$ 45,000

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(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, N.J.S.A. 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, 2015
2013 \$ 362,485 x 10%	\$ 36,249
2014 \$ 398,427 x 20%	79,685
2015 \$ 372,208 x 40%	148,883
	\$ 264,817

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 5.0% 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 a rate determined by an actuary. The 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 \$34,458 for the year ended June 30, 2015. The contributions represented 100% of the District's annual pension costs (APC).

SUPPLEMENTARY INFORMATION

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF BUDGET VERSUS ACTUAL REVENUE AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Total Funds - 2015			Total Funds 2014
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 379,500	\$ 372,208	\$ (7,292)	\$ 398,427
Forestry income	40,250	34,045	(6,205)	62,610
Nursery income	10,000	11,000	1,000	39,547
Rain Barrel income	2,000		(2,000)	130
Morris County Board of Chosen Freeholders grant	25,000	24,900	(100)	24,700
Stormwater permit revenue	8,000	8,015	15	9,380
Interest income	2,000	534	(1,466)	579
Other income	300	87	(213)	396
County and State in-kind support		45,000	45,000	61,388
Total support and revenue	<u>467,050</u>	<u>495,789</u>	<u>28,739</u>	<u>597,157</u>
Expenses:				
Salaries and wages	370,000	329,075	(40,925)	295,239
Forestry expenses	3,000	811	(2,189)	1,619
Supplies	4,000	1,006	(2,994)	1,889
Nursery expenses	10,000	11,152	1,152	37,830
Rain Barrel expenses	1,000		(1,000)	
Dues and registrations	3,000	2,270	(730)	2,680
Professional fees	10,300	5,470	(4,830)	5,827
Repairs and maintenance	500		(500)	
Payroll tax expense	30,000	25,470	(4,530)	23,433
Telephone	3,150	2,072	(1,078)	2,183
Office expense	8,700	6,000	(2,700)	6,125
Travel and meals	16,500	13,009	(3,491)	13,414
Employee benefits	108,000	91,338	(16,662)	86,215
Insurance	14,500	11,891	(2,609)	9,938
Conferences and seminars	3,000	2,028	(972)	1,489
Depreciation		2,127	2,127	2,526
Other	9,200	1,779	(7,421)	1,359
County and State in-kind expenses		45,000	45,000	61,388
Total expenses	<u>594,850</u>	<u>550,498</u>	<u>(44,352)</u>	<u>553,154</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (127,800)</u>	<u>\$ (54,709)</u>	<u>\$ 73,091</u>	<u>\$ 44,003</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Program Title</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> Emergency Forest Restoration Program (EFRP)	10.652	\$ 93,000	\$ 21,781	\$ 47,090

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>State Grantor/Program Title</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
CURRENT YEAR RECOMMENDATIONS
JUNE 30, 2015

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, 2015

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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