

MORRIS COUNTY SOIL CONSERVATION DISTRICT

MORRISTOWN, NEW JERSEY

REPORT OF AUDIT  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
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JUNE 30, 2014

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MORRIS COUNTY SOIL CONSERVATION DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2014

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	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  
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## Independent Auditors' Report

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

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, 2014, 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, 2014, 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.

### **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**

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. 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.

October 21, 2014  
Mt. Arlington, New Jersey

*Nisivoccia LLP*

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014				2013	
	Unrestricted Fund	Chapter 251	Temporarily Restricted Equipment Fund	Special Projects	Total	Total
<u>ASSETS</u>						
Current assets:						
Cash	\$ 43,161	\$ 268,913			\$ 312,074	\$ 316,434
Certificates of deposit		324,915			324,915	324,482
Cash restricted for performance bonds		175,428			175,428	110,412
Accounts receivable	59,590			\$ 5,000	64,590	15,950
Total current assets	<u>102,751</u>	<u>769,256</u>		<u>5,000</u>	<u>877,007</u>	<u>767,278</u>
Office furniture and equipment			\$ 98,254		98,254	98,254
Less: accumulated depreciation			(87,618)		(87,618)	(85,092)
Office furniture and equipment, net			<u>10,636</u>		<u>10,636</u>	<u>13,162</u>
Total assets	<u>\$ 102,751</u>	<u>\$ 769,256</u>	<u>\$ 10,636</u>	<u>\$ 5,000</u>	<u>\$ 887,643</u>	<u>\$ 780,440</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses		\$ 71,506			\$ 71,506	\$ 73,322
Performance bonds payable		175,428			175,428	110,412
Deferred grant revenue				\$ 10,000	10,000	10,000
Due to (from) other funds	\$ 5,629	(5,629)		-		
Total current liabilities	<u>5,629</u>	<u>241,305</u>		<u>10,000</u>	<u>256,934</u>	<u>193,734</u>
Reserves:						
Reserve for future Soil Erosion and Sediment Control Act expenditures		266,968			266,968	241,482
Total reserves		<u>266,968</u>			<u>266,968</u>	<u>241,482</u>
Unrestricted net assets	97,122				97,122	55,603
Temporarily restricted net assets		260,983	\$ 10,636	(5,000)	266,619	289,621
Total net assets	<u>97,122</u>	<u>260,983</u>	<u>10,636</u>	<u>(5,000)</u>	<u>363,741</u>	<u>345,224</u>
Total liabilities and net assets	<u>\$ 102,751</u>	<u>\$ 769,256</u>	<u>\$ 10,636</u>	<u>\$ 5,000</u>	<u>\$ 887,643</u>	<u>\$ 780,440</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014				2013
	Unrestricted Fund	Temporarily Restricted			Total
		Chapter 251	Equipment Fund	Special Projects	
Support and revenue:					
Soil Erosion and Sediment Control Act fees		\$ 398,427		\$ 398,427	\$ 362,485
Forestry income	\$ 62,610			62,610	9,620
Nursery income	39,547			39,547	29,099
Rain Barrel income	130			130	204
Morris County Board of Chosen Freeholders grant	24,700			24,700	24,825
Stormwater permit revenue					
Interest income		579		579	1,006
Other income	396			396	55
County and State in-kind support		61,388		61,388	60,867
Outreach workshop grant					3,819
Total support and revenue	127,383	460,394	9,380	597,157	499,470
Expenses:					
Salaries and wages	11,143	263,929		275,072	300,361
Supplies		1,889		1,889	3,059
Forestry expenses	28,660			28,660	
Nursery expenses	37,830			37,830	24,761
Dues and registrations		2,680		2,680	1,720
Professional fees		5,827		5,827	7,630
Repairs and maintenance					216
Payroll tax expense	377	21,009		21,386	24,611
Telephone		2,183		2,183	2,803
Office expense		6,125		6,125	6,823
Travel and meals		12,810		12,810	14,819
Employee benefits	7,854	74,138		81,992	91,088
Insurance		9,938		9,938	12,650
Conferences and seminars		1,489		1,489	1,615
Depreciation			\$ 2,526	2,526	2,526
Other		1,359		1,359	1,194
County and State in-kind expenses		61,388		61,388	60,867
Total expenses	85,864	464,764	2,526	553,154	556,743

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)  
 (CONTINUED)

	2014				2013	
	Unrestricted Fund	Chapter 251	Temporarily Restricted Equipment Fund	Special Projects	Total	Total
Excess (deficiency) of support and revenue over expenses	41,519	(4,370)	(2,526)	9,380	44,003	(57,273)
Net assets (deficiency), beginning of year	55,603	283,009	13,162	(6,550)	345,224	405,722
Transfer to Chapter 251 fund		7,830		(7,830)		
Increase in Reserve for future Soil Erosion and Sediment Control Act Expenditures		(25,486)			(25,486)	(3,225)
Net assets, end of year	<u>\$ 97,122</u>	<u>\$ 260,983</u>	<u>\$ 10,636</u>	<u>\$ (5,000)</u>	<u>\$ 363,741</u>	<u>\$ 345,224</u>



MORRIS COUNTY SOIL CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Excess (deficiency) of support and revenue over expenses	\$ 44,003	\$ (57,273)
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	2,526	2,526
Changes in operating assets and liabilities:		
Accounts receivable	(48,640)	(399)
Prepaid expense	-	4,977
Accounts payable and accrued expenses	(1,816)	6,118
Performance bonds payable	65,016	80,809
Net cash provided by operating activities	<u>61,089</u>	<u>36,758</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(324,915)	(324,482)
Redemption of certificates of deposit	324,482	323,605
Net cash used by investing activities	<u>(433)</u>	<u>(877)</u>
Net increase in cash and cash equivalents	60,656	35,881
Cash and cash equivalents, beginning of year	<u>426,846</u>	<u>390,965</u>
Cash and cash equivalent, end of year	<u>\$ 487,502</u>	<u>\$ 426,846</u>
Supplemental disclosure of non-cash activities		
Current year increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ 25,486</u>	<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, 2014  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Total Funds - 2014			Total Funds 2013
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 352,250	\$ 398,427	\$ 46,177	\$ 362,485
Forestry income	63,250	62,610	(640)	9,620
Nursery income	25,000	39,547	14,547	29,099
Rain Barrel income	2,000	130	(1,870)	204
Morris County Board of Chosen Freeholders grant	25,000	24,700	(300)	24,825
Stormwater permit revenue	7,000	9,380	2,380	7,490
Interest income	2,000	579	(1,421)	1,006
Other income	300	396	96	55
County and State in-kind support		61,388	61,388	60,867
Outreach workshop grant				3,819
Total support and revenue	<u>476,800</u>	<u>597,157</u>	<u>120,357</u>	<u>499,470</u>
Expenses:				
Salaries and wages	330,000	275,072	(54,928)	300,361
Supplies	4,000	1,889	(2,111)	3,059
Forestry expenses	500	28,660	28,160	
Nursery expenses	25,000	37,830	12,830	24,761
Rain Barrel expenses	500		(500)	
Dues and registrations	3,000	2,680	(320)	1,720
Professional fees	13,200	5,827	(7,373)	7,630
Repairs and maintenance	500	-	(500)	216
Payroll tax expense	30,000	21,386	(8,614)	24,611
Telephone	5,150	2,183	(2,967)	2,803
Office expense	8,700	6,125	(2,575)	6,823
Travel and meals	16,500	12,810	(3,690)	14,819
Employee benefits	106,000	81,992	(24,008)	91,088
Insurance	14,500	9,938	(4,562)	12,650
Conferences and seminars	3,000	1,489	(1,511)	1,615
Depreciation		2,526	2,526	2,526
Other	13,200	1,359	(11,841)	1,194
County and State in-kind expenses		61,388	61,388	60,867
Total expenses	<u>573,750</u>	<u>553,154</u>	<u>(20,596)</u>	<u>556,743</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (96,950)</u>	<u>\$ 44,003</u>	<u>\$ 140,953</u>	<u>\$ (57,273)</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

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> Emergency Forest Restoracion Program (EFRP)	10.652	\$ 93,000	\$ 47,090	\$ 47,090

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014, 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 to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with New Jersey Department of Agriculture's Financial Accounting Manual.

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)

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

Total Columns (Cont'd)

Accordingly, such information should be read in conjunction with the District's 2013 financial statements from which the summarized information was derived

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

The District considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

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:

	<u>For the Year Ended June 30, 2014</u>		
	<u>County</u>	<u>State</u>	<u>Total</u>
Technical support		\$ 47,388	\$ 47,388
Direct support:			
Rent	\$ 14,000		14,000
	<u>\$ 14,000</u>	<u>\$ 47,388</u>	<u>\$ 61,388</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(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, 2014
2012    \$ 350,998    x    10%	\$        35,100
2013    \$ 362,485    x    20%	72,497
2014    \$ 398,427    x    40%	159,371
	\$        266,968

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 \$29,377 for the year ended June 30, 2014. The contributions represented 100% of the District's annual pension costs (APC).

MORRIS COUNTY SOIL CONSERVATION DISTRICT  
CURRENT YEAR RECOMMENDATIONS  
JUNE 30, 2014

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, 2014

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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