

MORRIS COUNTY SOIL CONSERVATION DISTRICT
MORRISTOWN, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

MORRIS COUNTY SOIL CONSERVATION DISTRICT
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MORRIS COUNTY SOIL CONSERVATION DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2009

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Welch	Chairman	2010
Louise Davis	Vice Chairman	2011
Jeannette Bonin	Treasurer	2009
Larry Ashley	Assistant Treasurer	2010
Kenneth Roehrich	Secretary	2009

Management and Administrative Staff

Joseph P. Dunn	District Manager
Jackie Connelly	Bookkeeper

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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, 2009, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Soil 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 2008 financial statements and, in our report dated October 1, 2008, 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, the provisions of the Department of Agriculture's Financial Accounting Manual revised September 13, 2007, required by the New Jersey State Soil Conservation Committee, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2009, 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, 2009, 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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In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedule of state financial assistance listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

August 21, 2009
Mt. Arlington, New Jersey

Nisivaccia & Company LLP



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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of Morris County Soil Conservation District as of, and for the year ended, June 30, 2009, and have issued our report thereon dated August 21, 2009, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. The 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Supervisors
Morris County Soil Conservation District
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morris County Soil Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Supervisors, District Manager, and the funding sources of the Morris County Soil Conservation District and is not intended to be, and should not be, used by anyone other than those specified parties.

August 21, 2009
Mt. Arlington, New Jersey

Nisivoccia & Company LLP

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	Unrestricted Fund	Temporarily Restricted			Totals June 30,	
		Chapter 251	Equipment Fund	Special Projects	2009	2008
ASSETS						
Current assets:						
Cash		\$ 655,534			\$ 655,534	\$ 1,145,355
Certificates of deposit		278,903			278,903	
Cash restricted for performance bonds		62,441			62,441	86,609
Total current assets		<u>996,878</u>			<u>996,878</u>	<u>1,231,964</u>
Office furniture and equipment			\$ 97,056		97,056	114,763
Less: accumulated depreciation			(72,366)		(72,366)	(102,976)
Total fixed assets, net of depreciation			<u>24,690</u>		<u>24,690</u>	<u>11,787</u>
 Total assets		<u>\$ 996,878</u>	<u>\$ 24,690</u>	<u>\$</u>	<u>\$ 1,021,568</u>	<u>\$ 1,243,751</u>
LIABILITIES AND FUND BALANCE						
Current liabilities:						
Accounts payable and accrued expenses		\$ 66,470			\$ 66,470	\$ 64,538
Performance bonds		62,441			62,441	84,482
Deferred grant revenue				\$ 10,000	10,000	10,000
Due to (from) other funds	\$ (39,688)	257,119		(217,431)		
Total current liabilities	<u>(39,688)</u>	<u>386,030</u>		<u>(207,431)</u>	<u>138,911</u>	<u>159,020</u>
Fund balance:						
Reserve for future Soil Erosion and Sediment Control Act expenditures		261,634			261,634	316,306
Reserve for future legal costs		40,000			40,000	40,000
Fund balance	39,688	309,214	\$ 24,690	207,431	581,023	728,425
Total fund balance	<u>39,688</u>	<u>610,848</u>	<u>24,690</u>	<u>207,431</u>	<u>882,657</u>	<u>1,084,731</u>
 Total liabilities and fund balance	<u>\$</u>	<u>\$ 996,878</u>	<u>\$ 24,690</u>	<u>\$</u>	<u>\$ 1,021,568</u>	<u>\$ 1,243,751</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	Unrestricted Fund	Temporarily Restricted			Totals For the Year Ended June 30,	
		Chapter 251	Equipment Fund	Special Projects	2009	2008
Support and revenue:						
Soil Erosion and Sediment Control Act fees		\$ 306,481			\$ 306,481	\$ 417,896
Seedling sales	\$ 6,812				6,812	6,876
Forestry income	14,347				14,347	20,360
Nursery income	9,070				9,070	480
Morris County Board of Chosen Freeholders grant	25,000				25,000	25,000
Stormwater permit revenue				\$ 12,745	12,745	20,085
Interest income		16,625			16,625	39,462
Other income	3,127	712			3,839	5,996
County and State in-kind support		63,187			63,187	63,227
Total support and revenue	58,356	387,005		12,745	458,106	599,382
Expenses:						
Salaries and wages	65,943	321,507			387,450	404,767
Supplies		3,681			3,681	9,029
Seedling purchases	4,600				4,600	3,874
Nursery expenses	1,628				1,628	3,270
Dues and registrations		2,608			2,608	2,785
Professional fees		5,000			5,000	5,406
Repairs and maintenance		229			229	948
Payroll tax expense	5,334	26,005			31,339	32,686
Telephone		2,245			2,245	2,321
Office expense		8,017			8,017	9,920
Travel and meals		17,534			17,534	21,954
Employee benefits	16,372	79,825			96,197	95,008
Insurance		11,088			11,088	11,289
Conferences and seminars		13,079			13,079	15,587
Depreciation			\$ 8,366		8,366	8,442
Other		3,932			3,932	1,247
Reserve for future Soil Erosion and Sediment Control Act expenditures		(54,672)			(54,672)	(30,224)
County and State in-kind expenses		63,187			63,187	63,227
Total expenses	93,877	503,265	8,366		605,508	661,536

MORRIS COUNTY SOIL CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)
 (CONTINUED)

	Unrestricted Fund	Temporarily Restricted		Totals For the Year Ended June 30,		
		Chapter 251	Equipment Fund	Special Projects	2009	2008
Excess (deficiency) of support and revenue over expenses	(35,521)	(116,260)	(8,366)	12,745	(147,402)	(62,154)
Purchase of fixed assets - current year		(21,269)	21,269			
Fund balance, beginning of year	75,209	446,743	11,787	194,686	728,425	790,579
Fund balance, end of year	<u>\$ 39,688</u>	<u>\$ 309,214</u>	<u>\$ 24,690</u>	<u>\$ 207,431</u>	<u>\$ 581,023</u>	<u>\$ 728,425</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Excess (deficiency) of support and revenue over expenses	\$ (147,402)
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by operating activities:	
Depreciation	8,366
Reserve for Soil Erosion and Sediment Control Act Expenditures	(54,672)
Changes in assets and liabilities:	
Increase in accounts payable and accrued expenses	1,932
Decrease in compliance bonds payable	(22,041)
Net cash used in operating activities	<u>(213,817)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(21,269)</u>
Net cash used in investing activities	<u>(21,269)</u>
Net decrease in cash, savings and temporary investments	(235,086)
Cash and savings and temporary investments	
July 1, 2008	<u>1,231,964</u>
June 30, 2009	<u>\$ 996,878</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL REVENUE AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	Total Funds For the Year Ended June 30, 2009			Total Funds For the Year Ended June 30, 2008
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 391,500	\$ 306,481	\$ (85,019)	\$ 417,896
Seedling sales	7,500	6,812	(688)	6,876
Forestry income	16,000	14,347	(1,653)	20,360
Nursery income	15,000	9,070	(5,930)	480
Morris County Board of Chosen Freeholders grant	25,000	25,000	-	25,000
Stormwater permit revenue	25,000	12,745	(12,255)	20,085
Interest income	25,000	16,625	(8,375)	39,462
Other income	6,250	3,839	(2,411)	5,996
County and State in-kind support		63,187	63,187	63,227
Total support and revenue	<u>511,250</u>	<u>458,106</u>	<u>(53,144)</u>	<u>599,382</u>
Expenses:				
Salaries and wages	420,500	387,450	(33,050)	404,767
Supplies	5,000	3,681	(1,319)	9,029
Seedling purchases	5,000	4,600	(400)	3,874
Nursery expenses	24,000	1,628	(22,372)	3,270
Dues and registrations	3,000	2,608	(392)	2,785
Professional fees	6,950	5,000	(1,950)	5,406
Repairs and maintenance	500	229	(271)	948
Payroll tax expense	33,500	31,339	(2,161)	32,686
Telephone	2,139	2,245	106	2,321
Office expense	8,350	8,017	(333)	9,920
Travel and meals	26,000	17,534	(8,466)	21,954
Employee benefits	111,000	96,197	(14,803)	95,008
Insurance	11,850	11,088	(762)	11,289
Conferences and seminars	14,300	13,079	(1,221)	15,587
Depreciation		8,366	8,366	8,442
Other	17,950	3,932	(14,018)	1,247
Sediment Control Act expenditures		(54,672)	(54,672)	(30,224)
County and State in-kind expenses		63,187	63,187	63,227
Total expenses	<u>690,039</u>	<u>605,508</u>	<u>(84,531)</u>	<u>661,536</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (178,789)</u>	<u>\$ (147,402)</u>	<u>\$ (31,387)</u>	<u>\$ (62,154)</u>

MORRIS COUNTY SOIL CONSERVATION DISTRICT
SUPPLEMENTARY SCHEDULE OF STATE FINANCIAL ASSISTANCE
AND GRANT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2009

State Program

<u>State Grantor</u>	<u>State Grant/ Number</u>	<u>Award Amount</u>	<u>June 30, 2009 Revenue</u>	<u>Total Revenue</u>	<u>June 30, 2009 Expenditures</u>	<u>Total Expenditures</u>
Department of Environmental Protection Forestry Management Grant	04248703235234	\$ 10,000	\$	\$	\$	\$

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 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, 2009
(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, 2009
(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:

	<u>County</u>	<u>State</u>	<u>Total for the Years Ended</u>	
			<u>June 30,</u>	
			<u>2009</u>	<u>2008</u>
Technical support		\$ 45,000	\$ 45,000	\$ 45,000
Direct support:				
District supervisors		4,187	4,187	4,227
Rent	\$ 14,000		14,000	14,000
	<u>\$ 14,000</u>	<u>\$ 49,187</u>	<u>\$ 63,187</u>	<u>\$ 63,227</u>

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:

<u>Certification Fees</u>		<u>Reserve Balance</u>
<u>Collected to June 30,</u>		<u>June 30, 2009</u>
2007 \$ 541,776 x 10%		\$ 54,178
2008 \$ 422,896 x 20%		84,579
2009 \$ 307,193 x 40%		122,877
		<u>\$ 261,634</u>

Note 4 - Reserve for Future Legal Costs

The Reserve for Future Legal Costs provides the District with funds necessary to pay for future legal costs incurred as a result of current Chapter 251 operations. The minimum balance required in this reserve account has been calculated by providing 10% of the average of the Chapter 251 fees received for the last three years, but not more than \$40,000.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4 - Reserve for Future Legal Costs (cont'd)

The calculation of the minimum reserve required is as follows:

Chaper 251 Fees Collected to June 30,		
2007	\$	541,776
2008		422,896
2009		307,193
		<u>\$ 1,271,865</u>
Average Chapter 251 Fees Collected	\$	<u>423,955</u>
Reserve balance required at 10% of average Chapter 251 fees collected at June 30, 2009, not to exceed \$40,000	\$	<u>40,000</u>

Note 5 - 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. 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.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 5 - Pension (cont'd)

District contributions to the plan amounted to \$31,433 and \$23,200 for the years ended June 30, 2009 and 2008, respectively. The contributions represented 100% of the District's annual pension costs (APC).

MORRIS COUNTY SOIL CONSERVATION DISTRICT
CURRENT YEAR RECOMMENDATIONS
JUNE 30, 2009

Segregation of Duties

The Financial Accounting Manual for New Jersey Soil Conservation Districts, as adopted on September 13, 2007, provides several internal control recommendations relative to the operations of the District. At present, the District's bookkeeper is responsible for all accounting functions. She is responsible for cash disbursements, payroll, accruals, all journal entries, and financial statement preparation. Additionally, all bank statements are received and reconciled by the bookkeeper and all cash deposits are made by the bookkeeper.

Although the small size of the District's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate noncompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

We recommend that management continually take the proper steps to segregate duties in certain areas where possible. Where not practical, management should determine ways to mitigate the effect on internal controls due to lack of segregation.

Timesheets

Our audit procedures included testing the payroll system controls. Based on our procedures it appears there were instances where employees' timesheets were not always submitted and reviewed on a timely basis before payroll was processed.

We recommend that the District Manager, who will be generally knowledgeable about employees' attendance, hours, and work assignments during the pay period, should review and approve all timesheets and that timesheets be submitted for processing on a timely basis.

We believe that these procedures will increase the District's control over payroll costs and their accurate recording and also help ensure that wages are paid for work actually performed.

Forestry Grant

We noted that 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, and therefore, the grant funds have not been utilized.

We recommend that management 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.

MORRIS COUNTY SOIL CONSERVATION DISTRICT
PRIOR YEAR RECOMMENDATIONS
JUNE 30, 2009

There are no recommendations outstanding from prior audits

MORRIS COUNTY SOIL CONSERVATION DISTRICT

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

THAT INDICATE NO MATERIAL WEAKNESSES

JUNE 30, 2009



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COMMUNICATION OF SIGNIFICANT DEFICIENCIES
THAT INDICATE NO MATERIAL WEAKNESSES

To the Board of Supervisors
of Morris County Soil Conservation District

In planning and performing our audit of the financial statements of Morris County Soil Conservation District (the "District") as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board of Supervisors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

Nisivoccia & Company, LLP
Mount Arlington, NJ
August 21, 2009

Nisivoccia & Company LLP



N I S I V O C C I A & C O M P A N Y L L P

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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August 21, 2009

To the Board of Supervisors of
Morris County Soil Conservation District

We have audited the financial statements of Morris County Soil Conservation District for the year ended June 30, 2009, and have issued our report thereon dated August 21, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, the Department of Agriculture's Financial Accounting Manual, Required by the New Jersey State Soil Conservation Committee, and Government Auditing Standards.

As stated in our engagement letter dated July 8, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted during 2009, and the application of existing policies was not changed during 2009. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period other than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant sensitive estimates identified for the period under audit.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit; however, we did experience significant delays with regard to beginning our audit fieldwork due to software implementation challenges experienced by management in recording all accounting transactions for the period under audit.

The Board of Supervisors
Morris County Soil Conservation District
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Significant Audit Findings (Cont'd)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Supervisors and management of Morris County Soil Conservation District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Nisivoccia & Company LLP
Nisivoccia & Company LLP