

MORRIS COUNTY SOIL CONSERVATION DISTRICT

MORRISTOWN, NEW JERSEY

**REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)**



NISIVOCCIA
ASSURANCE • TAX • ADVISORY

Morris County Soil Conservation District
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June 30, 2020 and 2019

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Morris County Soil Conservation District
Roster of Officials
June 30, 2020 and 2019

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Louise Davis	Chairman	2020
Phil Roehrich	Vice Chairman	2021
Marc Slaff	Treasurer	2022
Robert McEwan	Assistant Treasurer	2021
Robert Danowski	Secretary	2022

Management and Administrative Staff

Joseph P. Dunn	District Manager
Jacqueline Connelly	Manager of Finance & Administration

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, 2020, 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.

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, 2020, 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 2019 financial statements, and our report dated October 24, 2019, 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, 2019, 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.

Nisiroccia LLP
December 3, 2020
Mt. Arlington, New Jersey

Morris County Soil Conservation District
Statement of Financial Position
June 30, 2020 and 2019

		Temporarily Restricted				Total	
	Unrestricted	Chapter 251	Equipment Fund	Special Projects	Total	2020	2019
<u>ASSETS</u>							
Current assets:							
Cash	\$ 76,360	\$ 343,468			\$ 343,468	\$ 419,828	\$ 346,681
Certificates of deposit		338,923			338,923	338,923	332,270
Cash restricted for performance bonds		235,299			235,299	235,299	150,139
Accounts receivable	13,696			\$ 6,800	6,800	20,496	8,600
Total current assets	90,056	917,690		6,800	924,490	1,014,546	837,690
Office furniture and equipment			\$ 73,961		73,961	73,961	61,327
Less: accumulated depreciation			(64,836)		(64,836)	(64,836)	(61,327)
Office furniture and equipment, net			9,125		9,125	9,125	
Total assets	\$ 90,056	\$ 917,690	\$ 9,125	\$ 6,800	\$ 933,615	\$ 1,023,671	\$ 837,690
<u>LIABILITIES AND NET ASSETS</u>							
Current liabilities:							
Accounts payable and accrued expenses		\$ 79,439			\$ 79,439	\$ 79,439	\$ 70,208
Performance bonds payable		235,299			235,299	235,299	150,139
Deferred grant revenue	\$ 44,644			\$ 10,000	10,000	54,644	64,556
Total current liabilities	44,644	314,738		10,000	324,738	369,382	284,903
Reserves:							
Reserve for future Soil Erosion and Sediment Control Act expenditures		446,547			446,547	446,547	430,669
Total reserves		446,547			446,547	446,547	430,669
Unrestricted net assets	45,412					45,412	21,633
Temporarily restricted net assets		156,405	\$ 9,125	(3,200)	162,330	162,330	100,485
Total net assets	45,412	156,405	9,125	(3,200)	162,330	207,742	122,118
Total liabilities and net assets	\$ 90,056	\$ 917,690	\$ 9,125	\$ 6,800	\$ 933,615	\$ 1,023,671	\$ 837,690

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Unrestricted	Temporarily Restricted			Total	
		Chapter 251	Equipment Fund	Special Projects	Total	
					2020	2019
Support and revenue:						
Soil Erosion and Sediment Control Act fees		\$ 603,252			\$ 603,252	\$ 548,925
Forestry income	\$ 33,137				33,137	19,657
Morris County Board of Chosen Freeholders grant	26,496				26,496	33,675
Stormwater permit revenue				\$ 19,355	19,355	19,215
NACD - Technical assistance	85,321				85,321	83,644
Interest income		7,660			7,660	6,252
Other income	19				19	19
Total support and revenue	144,973	610,912		19,355	630,267	711,387
Expenses:						
Salaries and wages	77,785	363,334			363,334	441,119
Forestry expenses	57				57	
Supplies		2,820			2,820	2,781
Nursery expenses						2
Dues and registrations		2,936			2,936	2,131
Professional fees		6,757			6,757	5,960
Payroll tax expense	7,113	25,824			25,824	33,093
Telephone		1,223			1,223	1,302
Office expense	379	3,250			3,250	2,994
Travel and meals	240	13,284			13,284	15,551
Employee benefits	31,989	116,146			116,146	147,924
Insurance		14,461			14,461	16,245
Conferences and seminars		1,432			1,432	1,771
Depreciation			\$ 3,509		3,509	2,129
Other		1,199			1,199	7,738
Total expenses	117,563	552,666	3,509		556,175	674,621

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Unrestricted	Temporarily Restricted				Total	
		Chapter 251	Equipment Fund	Special Projects	Total	2020	2019
Excess (deficiency) of support and revenue over expenses:							
2019, as restated (includes \$13,050 revenue adjustment - see note 5)							36,766
2020	27,410	58,246	(3,509)	19,355	74,092	101,502	
Purchase of fixed assets - current year		(12,634)	12,634				
Net assets, beginning of year	21,633	101,885		(1,400)	100,485	122,118	116,325
Transfer of net assets	(3,631)	24,786		(21,155)	3,631		
Increase in Reserve for future Soil Erosion and Sediment Control Act Expenditures		(15,878)			(15,878)	(15,878)	(30,973)
Net assets (deficiency), end of year	<u>\$ 45,412</u>	<u>\$ 156,405</u>	<u>\$ 9,125</u>	<u>\$ (3,200)</u>	<u>\$ 162,330</u>	<u>\$ 207,742</u>	<u>\$ 122,118</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Statement of Cash Flows – All Funds Combined
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 101,502	\$ 36,766
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	3,509	2,129
Changes in operating assets and liabilities:		
Accounts receivable	(11,896)	12,850
Accounts payable and accrued expenses	9,231	5,983
Performance bonds payable	85,160	6,810
Deferred grant revenue	(9,912)	39,556
Net cash provided by operating activities	<u>177,594</u>	<u>104,094</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(338,923)	(332,270)
Redemption of certificates of deposit	332,270	327,416
Purchases of office furniture and equipment	(12,634)	
Net cash used in investing activities	<u>(19,287)</u>	<u>(4,854)</u>
Net increase in cash	158,307	99,240
Cash, beginning of year	<u>496,820</u>	<u>397,580</u>
Cash, end of year	<u>\$ 655,127</u>	<u>\$ 496,820</u>
Supplemental disclosure of non-cash activities		
Increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ 15,878</u>	<u>\$ 30,973</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

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, 2020 and 2019, the District had only unrestricted and temporarily restricted net assets.

Basis of Accounting

The accounting policies of the District conform to the accounting principles and practices prescribed by the State of New Jersey, Department of Agriculture, State Soil Conservation Committee.

All the District funds are accounted for using the accrual basis of accounting. Support and revenue are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related liability is incurred. Chapter 251 revenue is recognized when received and Chapter 251 expenses are recognized when incurred.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, support and revenues and expenditures. Fixed asset purchases are recorded in the fund of acquisition with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the Statement of Financial Position.

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 disclosure 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, 2020 and 2019

Total Columns

Total columns are presented only to facilitate financial analysis. Data in these columns do 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 Temporary Investments

The District considers all highly liquid investments purchased within an original maturity of three months or less to be determined as cash. Operating funds consist of demand deposits 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.

Income Taxes

The District is a not-for profit governmental unit that is exempt from federal and state income taxes.

2. 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 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 on actual funds for each individual project that is still open at the end of each fiscal year plus 10% of the actual funds calculated. At June 30, 2020 and 2019, the current balance of the reserve amounted to \$446,547 and \$430,669, respectively.

3. 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.

Morris County Soil Conservation District
Notes to Financial Statements
June 30, 2020 and 2019

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 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 \$52,610 and \$53,793 for the years ended June 30, 2020 and 2019, respectively. The contributions represented 100% of the District's annual pension costs (APC).

4. Certificates of Deposit

Financial assets of the District have been valued using level 2 inputs for the years ended June 30, 2020 and 2019. All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Investments at June 30, 2020 and 2019, are comprised of the following:

	June 30, 2020		
	Cost	Fair Value (Level 2)	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 332,270	\$ 338,923	\$ 6,653
Interest rates: 1.65% - 2.32%			
Maturing: 11/12/20 - 8/1/2021			

Morris County Soil Conservation District
Notes to Financial Statements
June 30, 2020 and 2019

	June 30, 2019		
	Cost	Fair Value (Level 2)	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 327,416	\$ 332,270	\$ 4,854
Interest rates: 2.23% - 2.45%			
Maturing: 11/12/19 - 1/30/2020			

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available.

5. Prior Period Restatement

During our performance of the June 30, 2020 annual audit, management discovered that revenue was overstated by \$13,050 for the fiscal year ended June 30, 2019. Grant payment received in advance was mistakenly recognized as income which resulted in an overstatement of income and understatement of deferred grant revenue of \$13,050.

Net assets for the year ended June 30, 2019 have been restated to include these adjustments relating to prior year. As a result of these corrections, net assets at June 30, 2019 have decreased by \$13,050.

6. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2020, through the date of the independent auditors' report and the date the financial statements were available to be issued, December 3, 2020. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure. However, the Coronavirus Disease 2019 ("COVID-19") global pandemic has caused business disruption through government mandated and voluntary closings and has contributed to significant declines and volatility in financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

Supplementary Information

Morris County Soil Conservation District
Schedule of Budget Versus Actual Revenue and Expenditures
All Funds Combined
For the Years Ended June 30, 2020 and 2019

	Total Funds - 2020			Total Funds 2019
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 521,500	\$ 603,252	\$ 81,752	\$ 548,925
Forestry income	19,000	33,137	14,137	19,657
Morris County Board of Chosen Freeholders grant	30,000	26,496	(3,504)	33,675
Stormwater permit revenue	19,000	19,355	355	19,215
NACD- Technical assistance	109,750	85,321	(24,429)	83,644
Interest income	5,000	7,660	2,660	6,252
Other income	200	19	(181)	19
Total support and revenue	<u>704,450</u>	<u>775,240</u>	<u>70,790</u>	<u>711,387</u>
Expenses:				
Salaries and wages	509,000	441,119	(67,881)	435,000
Forestry expenses	500	57	(443)	-
Supplies	3,000	2,820	(180)	2,781
Nursery expenses	500	-	(500)	2
Dues and registrations	2,500	2,936	436	2,131
Professional fees	10,700	6,757	(3,943)	5,960
Payroll tax expense	46,000	32,937	(13,063)	33,093
Telephone	1,600	1,223	(377)	1,302
Office expense	8,700	3,629	(5,071)	2,994
Travel and meals	21,500	13,524	(7,976)	15,551
Employee benefits	186,000	148,135	(37,865)	147,924
Insurance	14,500	14,461	(39)	16,245
Conferences and seminars	3,000	1,432	(1,568)	1,771
Depreciation	-	3,509	3,509	2,129
Other	10,550	1,199	(9,351)	7,738
Total expenses	<u>818,050</u>	<u>673,738</u>	<u>(144,312)</u>	<u>674,621</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ (113,600)</u>	<u>\$ 101,502</u>	<u>\$ 215,102</u>	<u>\$ 36,766</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2020

<u>State Grantor/Program Title</u>	<u>Grant ID#</u>	<u>State Account Number</u>	<u>Grant Period</u>	<u>Grant Awards</u>	<u>Cummulative Program Disbursements</u>	<u>Program Disbursements</u>	<u>Cash Received</u>
Department of Environmental Protection Forestry Management Grant - 2002	N/A	04248703235234	3/2/02 - 3/2/03	\$ 10,000	-	-	10,000
					<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Current Year Recommendations
June 30, 2020

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 Manager of Finance and Administration 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 Manager of Finance and Administration, although all cash deposits are made by an employee other than the Manager of Finance and Administration.

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 has been approved.

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