

**Morris County Soil
Conservation District**

Morristown, New Jersey

**Report of Audit
For the Year Ended June 30, 2021
(With Summarized Comparative Totals for June 30, 2020)**



NISIVOCCIA
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Morris County Soil Conservation District

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June 30, 2021 and 2020

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Morris County Soil Conservation District

Roster of Officials

June 30, 2021 and 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Louise Davis	Chairman	2023
Phil Roehrich	Vice Chairman	2024
Marc Slaff	Treasurer	2022
Robert McEwan	Assistant Treasurer	2024
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, 2021, 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

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, 2021, 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 2020 financial statements, and our report dated December 3, 2020, 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, 2020, 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

September 18, 2021
Mt. Arlington, New Jersey

Morris County Soil Conservation District
Statement of Financial Position
June 30, 2021 and 2020

	Unrestricted	Temporarily Restricted			Total	
		Chapter 251	Equipment Fund	Special Projects	2021	2020
ASSETS						
Current assets:						
Cash	\$ 76,535	\$ 422,823		\$ 422,823	\$ 499,358	\$ 419,828
Certificates of deposit		341,216		341,216	341,216	338,923
Cash restricted for performance bonds		93,369		93,369	93,369	235,299
Accounts receivable	30,992		\$ 5,550	5,550	36,542	20,496
Total current assets	<u>107,527</u>	<u>857,408</u>	<u>5,550</u>	<u>862,958</u>	<u>970,485</u>	<u>1,014,546</u>
Office furniture and equipment		\$ 73,961		73,961	73,961	73,961
Less: accumulated depreciation		(69,047)		(69,047)	(69,047)	(64,836)
Office furniture and equipment, net		4,914		4,914	4,914	9,125
Total assets	<u>\$ 107,527</u>	<u>\$ 857,408</u>	<u>\$ 4,914</u>	<u>\$ 867,872</u>	<u>\$ 975,399</u>	<u>\$ 1,023,671</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses		\$ 85,146		\$ 85,146	\$ 85,146	79,439
Performance bonds payable		93,369		93,369	93,369	235,299
Deferred grant revenue	\$ 25,499		\$ 10,000	10,000	35,499	54,644
Total current liabilities	<u>25,499</u>	<u>178,515</u>	<u>10,000</u>	<u>188,515</u>	<u>214,014</u>	<u>369,382</u>
Reserves:						
Reserve for future Soil Erosion and Sediment Control Act expenditures		506,106		506,106	506,106	446,547
Total reserves		<u>506,106</u>		<u>506,106</u>	<u>506,106</u>	<u>446,547</u>
Unrestricted net assets	82,028				82,028	45,412
Temporarily restricted net assets (deficiency)		172,787	\$ 4,914	(4,450)	173,251	173,251
Total net assets	<u>82,028</u>	<u>172,787</u>	<u>4,914</u>	<u>(4,450)</u>	<u>173,251</u>	<u>255,279</u>
Total liabilities and net assets	<u>\$ 107,527</u>	<u>\$ 857,408</u>	<u>\$ 4,914</u>	<u>\$ 5,550</u>	<u>\$ 867,872</u>	<u>\$ 975,399</u>

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, 2021
(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	Unrestricted	Temporarily Restricted			Total		
		Chapter 251	Equipment Fund	Special Projects	Total	2021	2020
Support and revenue:							
Soil Erosion and Sediment Control Act fees		\$ 600,446			\$ 600,446	\$ 600,446	\$ 603,252
Forestry income	\$ 42,906					42,906	33,137
Morris County Board of Chosen Freeholders grant	34,873					34,873	26,496
Stormwater permit revenue				\$ 18,375	18,375	18,375	19,355
NACD - Technical assistance	109,580					109,580	85,321
USDA- Technical assistance	9,665					9,665	
Interest income		2,442			2,442	2,442	7,660
Other income	50					50	19
Total support and revenue	197,074	602,888		18,375	621,263	818,337	775,240
Expenses:							
Salaries and wages	98,540	362,917			362,917	461,457	441,119
Forestry expenses							57
Supplies		2,739			2,739	2,739	2,820
Dues and registrations		2,133			2,133	2,133	2,936
Professional fees		6,156			6,156	6,156	6,757
Payroll tax expense	11,751	23,001			23,001	34,752	32,937
Telephone		2,081			2,081	2,081	1,223
Office expense	2,612	2,744			2,744	5,356	3,629
Travel and meals	895	11,537			11,537	12,432	13,524
Employee benefits	54,377	106,441			106,441	160,818	148,135
Insurance	2,170	12,243			12,243	14,413	14,461
Conferences and seminars		400			400	400	1,432
Depreciation			\$ 4,211		4,211	4,211	3,509
Other		4,293			4,293	4,293	1,199
Total expenses	170,345	536,685	4,211		540,896	711,241	673,738

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, 2021
(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	Temporarily Restricted				Total		
	Unrestricted	Chapter 251	Equipment Fund	Special Projects	Total	2021	2020
Excess (deficiency) of support and revenue over expenses:	26,729	66,203	(4,211)	18,375	80,367	107,096	101,502
Net assets (deficiency), beginning of year	45,412	156,405	9,125	(3,200)	162,330	207,742	122,118
Transfer of net assets	9,887	9,738		(19,625)	(9,887)		
Increase in Reserve for future Soil Erosion and Sediment Control Act Expenditures		(59,559)			(59,559)	(59,559)	(15,878)
Net assets (deficiency), end of year	<u>\$ 82,028</u>	<u>\$ 172,787</u>	<u>\$ 4,914</u>	<u>\$ (4,450)</u>	<u>\$ 173,251</u>	<u>\$ 255,279</u>	<u>\$ 207,742</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 107,096	\$ 101,502
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation	4,211	3,509
Changes in operating assets and liabilities:		
Accounts receivable	(16,046)	(11,896)
Accounts payable and accrued expenses	5,707	9,231
Performance bonds payable	(141,930)	85,160
Deferred grant revenue	(19,145)	(9,912)
Net cash provided by (used in) operating activities	<u>(60,107)</u>	<u>177,594</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(341,216)	(338,923)
Redemption of certificates of deposit	338,923	332,270
Purchases of office furniture and equipment	<u>(12,634)</u>	
Net cash used in investing activities	<u>(2,293)</u>	<u>(19,287)</u>
Net increase (decrease) in cash and restricted cash	(62,400)	158,307
Cash and restricted cash, beginning of year	<u>655,127</u>	<u>496,820</u>
Cash and restricted cash, end of year	<u>\$ 592,727</u>	<u>\$ 655,127</u>
Supplemental disclosure of non-cash activities		
Increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ 59,559</u>	<u>\$ 15,878</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

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 assets section of the statement of financial position.

Income Taxes

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

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2021, through the date of the independent auditors' report and the date the financial statements were available to be issued, September 18, 2021. 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.

Morris County Soil Conservation District
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, the current balance of the reserve amounted to \$506,106 and \$446,547, 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.

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 \$55,706 and \$52,610 for the years ended June 30, 2021 and 2020, 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 as of June 30, 2021 and 2020. All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Morris County Soil Conservation District
Notes to Financial Statements
June 30, 2021 and 2020

Investments at June 30, 2021 and 2020, are comprised of the following:

	June 30, 2021		
	Cost	Fair Value (Level 2)	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 338,923	\$ 341,216	\$ 2,293
Interest rates: 0.05% - 0.45%			
Maturing: 12/8/21 - 2/12/22			
	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 - 8/31/21			

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. Risk and Uncertainties

The COVID-19 coronavirus outbreak 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 of the closings. Therefore, the District expects this matter may have an impact on its future operating results. However, 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, 2021 and 2020

	Total Funds - 2021			Total Funds 2020
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 560,200	\$ 600,446	\$ 40,246	\$ 603,252
Forestry income	25,000	42,906	17,906	33,137
Morris County Board of Chosen Freeholders grant	30,000	34,873	4,873	26,496
Stormwater permit revenue	15,000	18,375	3,375	19,355
NACD- Technical assistance	112,000	109,580	(2,420)	85,321
USDA- Technical assistance		9,665	9,665	
Interest income	7,000	2,442	(4,558)	7,660
Other income	100	50	(50)	19
Total support and revenue	749,300	818,337	69,037	775,240
Expenses:				
Salaries and wages	512,000	461,457	(50,543)	441,119
Forestry expenses	100		(100)	57
Supplies	3,000	2,739	(261)	2,820
Dues and registrations	3,000	2,133	(867)	2,936
Professional fees	10,700	6,156	(4,544)	6,757
Payroll tax expense	44,500	34,752	(9,748)	32,937
Telephone	3,000	2,081	(919)	1,223
Office expense	20,000	5,356	(14,644)	3,629
Travel and meals	17,600	12,432	(5,168)	13,524
Employee benefits	197,300	160,818	(36,482)	148,135
Insurance	15,300	14,413	(887)	14,461
Conferences and seminars	4,800	400	(4,400)	1,432
Depreciation		4,211	4,211	3,509
Other	8,700	4,293	(4,407)	1,199
Total expenses	840,000	711,241	(128,759)	673,738
Excess (deficiency) of support and revenue over expenses	\$ (90,700)	\$ 107,096	\$ 197,796	\$ 101,502

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID #</u>	<u>Grantor's Number</u>	<u>Grant Period</u>	<u>Grant Awards</u>	<u>Cumulative Program Disbursements</u>	<u>Current Year</u>		
							<u>Program Disbursements</u>	<u>Cash Received</u>	<u>Provided to Subrecipients</u>
<u>U.S. Department of Agriculture</u>									
<u>Natural Resources Conservation Service</u>									
Environmental Quality Incentives Program	10.902 / 10.912	N/A	N/A	9/30/20 - 9/30/25	\$ 301,326	\$ 5,992	\$ 5,992	\$ -	\$ -
						\$ 5,992	\$ 5,992	\$ -	\$ -

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, 2021

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>Grant ID #</u>	<u>State Account Number</u>	<u>Grant Period</u>	<u>Grant Awards</u>	<u>Cumulative 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
					\$ -	\$ -	\$ 10,000

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Morris County Soil Conservation District

Current Year Recommendations

June 30, 2021

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.

Morris County Soil Conservation District

Prior 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.

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