

**CUMBERLAND-SALEM
CONSERVATION DISTRICT**

Deerfield, New Jersey

**REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2011**

Report dated August 19, 2011

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ROSTER OF OFFICIALS

JUNE 30, 2011

DISTRICT BOARD OF SUPERVISORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Thomas	District Acting-Chairman	June 30, 2012
Ralph Sickler	Vice Chairman	June 30, 2012
Frank Laning	Secretary/Treasurer	June 30, 2013
Donald Garrison	Secretary/Treasurer	December 31, 2010
A. Torrey Reade	Supervisor	June 30, 2012
Henry Dubois	Supervisor	June 30, 2013

ADMINISTRATIVE OFFICIALS

Michael J. Bonham District Manager

August 19, 2011

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Cumberland/Salem Soil Conservation District
1516 Route 77, P.O. Box 68
Deerfield, New Jersey 08313

Gentlemen:

We have audited the accompanying financial statements of the Cumberland/Salem Soil Conservation District as of and for the twelve months ended June 30, 2011, as listed in the table of contents. These 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. The prior year summarized comparative information has been derived from the Cumberland/Salem Soil Conservation District's 2010 financial statements and in our report dated August 9, 2010, we expressed unqualified opinions on the respective financial statements of the balance sheet, support, revenue and expenditures and changes in fund balance and cash flows.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and the audit requirements prescribed by the Department of Agriculture's Manual, as required by the New Jersey State Soil Conservation Committee. Those standards require that we plan and perform our 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland/Salem Soil Conservation District as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America and requirements prescribed by the State Soil Conservation Committee,

report dated August 19, 2011 on our consideration of the Cumberland/Salem Soil Conservation District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Cumberland/Salem Soil District taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary schedules as listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the financial statements. Such 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.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

August 19, 2011

**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**

Board of Supervisors
Cumberland/Salem Soil Conservation District
1516 Route 77 P.O. Box 68
Deerfield, New Jersey 08313

Gentlemen:

We have audited the financial statements of the Cumberland/Salem Soil Conservation District as of and for the twelve months ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and audit requirements prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey.

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 opinions on the financial statements, 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 District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or 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 the 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 or other matters that are required to be reported under **Government Auditing Standards**.

This report is intended for the information of the Cumberland/Salem Soil Conservation District, the funding sources of the Cumberland/Salem Soil Conservation District, the New Jersey Department of Agriculture, and Federal and State audit agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

CUMBERLAND-SALEM CONSERVATION DISTRICT
COMBINED BALANCE SHEET
JUNE 30, 2011 and 2010

	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	Totals for the	
					Year Ended June 30, 2011	Year Ended June 30, 2010
Intangible Assets:						
Cash	\$ 106,005.52	\$ 227,904.51	\$	\$ 99,210.40	\$ 227,904.51	\$ 68,352
Operating Funds		159,949.19			365,165.11	
Savings and Investments						
Accounts Receivable		3,925.00			3,925.00	1
251 Fees	3,150.00	922.00			3,150.00	1
Stormwater Fees Receivable						1
Prepaid Insurance					922.00	
Current Assets	\$ 109,155.52	\$ 392,700.70	\$	\$ 99,210.40	\$ 601,066.62	\$ 423
Fixed Assets						
Furniture and Equipment	\$	\$	\$ 67,821.78	\$	\$ 67,821.78	\$ 84
Building				52,289.87	52,289.87	52
Improvements and Renovations				60,280.92	60,280.92	60
Fixed Assets	\$	\$	\$ 67,821.78	\$ 177,445.11	\$ 245,266.89	\$ 261
Accumulated Depreciation			65,932.05	86,719.13	152,651.18	164
Fixed Assets - Net of Depreciation	\$	\$	\$ 1,889.73	\$ 90,725.98	\$ 92,615.71	\$ 97
Assets	\$ 109,155.52	\$ 392,700.70	\$ 1,889.73	\$ 189,936.38	\$ 693,682.33	\$ 520

The accompanying Notes to Financial Statements are an integral part of this statement.

CUMBERLAND-SALEM CONSERVATION DISTRICT
COMBINED BALANCE SHEET
JUNE 30, 2011 and 2010

	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	Totals for the Year Ended June 30, 2011
<u>LIABILITIES, NET ASSETS AND RESERVES</u>					
<u>Current Liabilities:</u>					
Accounts Payable	\$	11,370.59	\$	\$	11,370.59
Due State of NJ Application Fee		1,350.00			1,350.00
<u>accruals:</u>					
Payroll		1,022.80			1,022.80
Payroll taxes		2,888.57			2,888.57
<u>Total Current Liabilities</u>	\$	16,631.96	\$	\$	16,631.96
<u>ASSETS AND RESERVES</u>					
Reserve for Future Soil Erosion and Sediment Control	\$	155,104.20	\$	\$	155,104.20
Act Expenditures		20,090.23			20,090.23
Reserve for Future Legal Costs		22,222.20			22,222.20
Reserve for Compensated Absences		178,652.11	1,889.73	189,936.38	479,633.74
<u>Fund Balances - Per Exhibit B</u>	109,155.52				
<u>Total Net Assets and Reserves</u>	\$	376,068.74	\$	189,936.38	677,050.37
<u>Total Liabilities, Net Assets and Reserves</u>	\$	392,700.70	\$	189,936.38	693,682.33

The accompanying Notes to Financial Statements are an integral part of this statement.

CUMBERLAND-SALEM CONSERVATION DISTRICT
STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE
JUNE 30, 2011 and 2010

	Restricted Funds				Totals for the Year Ended June 30	
	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund		2011
Support and Revenue						
Soil Erosion and Sediment						
Control Act Fees	\$ 13,125.00	\$ 257,790.00	\$	\$	\$ 257,790.00	\$ 174,965.57
State Stormwater Fees	9,750.00				13,125.00	5,745.00
Rutgers, the State University	15,000.00				9,750.00	15,000.00
Cumberland County						
Maps and Materials						
Interest on Investments	1,624.17	6,083.93		1,520.06	9,228.16	12,210.20
Non-Cash In-Kind - Included as						
Expenditures Below						
Federal		459,988.00			459,988.00	287,374.00
State		38,000.00			38,000.00	36,355.00
Reduction in Reserve for Future						
Soil Erosion and Sediment						
Control Act Expenditures						
Reduction in Reserve for						
Future Legal Costs						
Miscellaneous		30.25			30.25	13,733.00
Total Support and Revenue	\$ 39,499.17	\$ 761,892.18	\$	\$ 1,520.06	\$ 802,911.41	\$ 549,098.79
Expenditures						
Salaries and Wages	\$	\$ 366,826.20	\$	\$	\$ 366,826.20	\$ 348,579.00
Fringe Benefits		92,151.46			92,151.46	72,497.00
Payroll Taxes		1,848.23			1,848.23	13,443.00
Legal and Professional Fees		5,305.79			5,305.79	6,123.00
Administrative Overhead - In-Kind		38,000.00			38,000.00	35,000.00
Meeting Expenses		1,287.36			1,287.36	49.00

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

<u>Expenditures</u>	General		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Wages	\$ 125,000.00	\$ 86,428.20	\$ 38,571.80
Fringe Benefits	12,000.00	11,750.46	249.54
Pension	27,000.00	16,541.00	10,459.00
Payroll Taxes	2,000.00	1,848.23	151.77
Legal and Professional	9,500.00	5,305.79	4,194.21
Meeting Expenses	1,500.00	1,287.36	212.64
Office Expenses/Supplies	3,800.00	2,721.42	1,078.58
Telephone	2,860.00	339.91	2,520.09
Insurance	7,900.00	5,667.00	2,233.00
Vehicle	3,400.00	2,298.76	1,101.24
Dues and Donations	2,000.00	1,429.00	571.00
Maintenance and Repairs - Building	3,300.00	1,748.27	1,551.73
Utilities	3,800.00	4,865.67	(1,065.67)
Miscellaneous		165.92	(165.92)
Depreciation		4,490.39	(4,490.39)
	<u>\$ 204,060.00</u>	<u>146,887.38</u>	<u>\$ 57,172.62</u>
Less: Capital Expenditures			
In-Kind Support		<u>497,988.00</u>	
Total Expenditures - to Exhibit B		<u>\$ 644,875.38</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

CUMBERLAND-SALEM CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2011 and 2010

	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	Totals for the Year Ended June 30	
	2011	2010	2011	2010	2011	2010
Cash Flow from Operating Activities						
Excess (deficiency) of Support and Revenues Over Expenditures	\$ 39,499.17	\$ 121,507.19	\$ (485.66)	\$ (2,484.67)	\$ 158,036.03	\$ (18,150.62)
Adjustments to Reconcile Excess (deficiency) of Support and Revenue Over Expenditures to Net Cash Provided by Operating Activities:						
Non-cash Items Included in Income:						
Depreciation			485.66	4,004.73	4,490.39	10,089.66
Increase (decrease) in Reserve for Future Soil Erosion and Sediment Control Expenditures, Future Legal Costs and Compensated Absences		(1,777.80)			(1,777.80)	(16,628.47)
Gain on Sale of Truck		6,000.00			6,000.00	
Changes in Assets and Liabilities:						
(Increase)/Decrease in Accounts Receivable	(2,030.00)					
(Increase)/Decrease in Prepaid Insurance		(3,925.00)			(5,955.00)	6,380.00
(Decrease)/Increase in Accounts Payable		124.00			124.00	(1,046.00)
(Decrease)/Increase in Due State of NJ Application Fees		10,482.78			10,482.78	(1,660.84)
(Decrease)/Increase in Accrued Payroll		650.00			650.00	700.00
(Decrease)/Increase in Accrued Payroll Taxes		(472.20)			(472.20)	(51.02)
Accrued Payroll Taxes		(144.43)			(144.43)	1,924.00
Cash Provided From Operations	37,469.17	132,444.54		1,520.06	171,433.77	(18,443.29)
Cash Flow from Investing Activities						
Acquisition of Fixed Assets						
Net Increase (Decrease) in Cash	37,469.17	132,444.54		1,520.06	171,433.77	(18,443.29)
Cash and Cash Equivalents - 7/1/10	68,536.35	255,409.16		97,690.34	421,635.85	440,079.14
Cash and Cash Equivalents - 6/30/11	\$ 106,005.52	\$ 387,853.70	\$	\$ 99,210.40	\$ 593,069.62	\$ 421,635.85

Analysis of Balance:

Cash	\$ 227,904.51
Savings and Investments	365,165.11
	<u>\$ 593,069.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Organization**

The Cumberland-Salem 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 District works 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 1976, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impact to soil resources, and enhance soil quality.

Accounting System

The accounting policies of the Cumberland-Salem Conservation District (the District) conform to accounting principles generally accepted in the United States of America and practices prescribed by the State of New Jersey, Department of Agriculture, State Soil Conservation Committee.

Fund Accounting

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, fund balance, support, revenue 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 assets, liabilities, net assets and reserves of the equipment fund.

Basis of Accounting

All of the District funds are accounted for using the modified 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 fund liability is incurred.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. principal estimated useful lives used in computing the depreciation provisions are as follows:

Equipment	5 years
Building and Improvements	40 years

Amortization of Financing Costs

Financing costs are being amortized using the straight-line method over the term of the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Concentration of Credit Risks

Cash consists of demand deposits and temporary investments in the form of certificates of deposit held at financial institutions. At times, amounts on deposit exceed federally insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible. As of June 30, 2011, \$139,925.16 of the districts bank balance of \$605,985.53 was exposed to custodial risk.

NOTE 2. NON-CASH SUPPORT

Federal and state non-cash support consists of payroll, fringe benefits, travel, office supplies and administrative overhead provided by outside governmental sources to assist in the operations of the District, as follows:

	Federal	State	Totals for the	
			Year Ended June 30	
			2011	2010
Salaries and wages	\$ 280,398.00	\$	\$ 280,398.00	\$ 194,814.00
Fringe benefits	80,401.00		80,401.00	54,876.00
Administrative overhead		38,000.00	38,000.00	35,000.00
Rent and Office Expense	99,189.00		99,189.00	37,684.00
Travel expense and supplies				1,359.92
Total	\$ 459,988.00	\$ 38,000.00	\$ 497,988.00	\$ 323,733.92

NOTE 3. FRINGE BENEFITS

Eligible employees are covered by the State of New Jersey Public Employees Retirement System. The total pension expense for the years ended June 30, 2011 and 2010 was \$16,541.00 and \$22,088.00, respectively.

NOTE 4. RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL EXPENDITURES

The Reserve for Future Soil Erosion and Sediment Control Act expenditures is established to account for estimated related costs of future expenditures for projects currently in progress, for which fees under the Act 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>Chapter 251 Fees Collected to</u>		
June 30, 2009: \$169,952.00 x 10% =	\$	16,995.20
June 30, 2010: \$174,965.00 x 20% =		34,993.00
June 30, 2011: \$257,790.00 x 40% =		103,116.00
		<u>155,104.20</u>

NOTE 5. 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 balance 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 \$40,000.00.

The calculation of this reserve is as follows:

<u>Chapter 251 Fees Collected to</u>		
June 30, 2009	\$	169,952.00
June 30, 2010		174,965.00
June 30, 2011		257,790.00
Total	\$	<u>602,707.00</u>
		<u>Divided by 3</u>
Average Chapter 251 Fees Collected	\$	<u>200,902.33</u>
		<u>Times 10%</u>
Reserve Balance June 30, 2011	\$	<u>20,090.23 *</u>

* Not to exceed \$40,000.00

NOTE 6. CASH EQUIVALENTS

For purposes of the statement of cash flows, the Cumberland-Salem Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 7. CONTINGENT LIABILITIES

Per confirmation by the Cumberland-Salem Conservation District's legal counsel, there are no pending litigation, claims, assessments, unasserted claims or contingent liabilities against the District.

NOTE 8. ACCRUED SICK AND VACATION BENEFITS

The District has permitted qualifying employees to accrue unused sick pay. The amount paid to the employee is computed using the respective employee's salary rate at the time the disbursement is made. The total accumulated sick pay obligation at June 30, 2011 is \$22,222.20

NOTE 9. LEASES

The District had no leases as of June 30, 2011.

NOTE 10. SURETY BOND COVERAGE

The Cumberland-Salem Conservation District has a public officials liability bond with coverage of \$2,000,000.00.

NOTE 11. REQUEST FOR AUTHORIZATION

All stormwater discharge associated with construction activity within the State of New Jersey incurs a fee payable to "Treasurer - State of New Jersey". A portion the fees due to the New Jersey Department of Environmental Protection, the remaining is split 70% and 30% to the District and state Soil Conservation Committee, respectively.

NOTE 11. SUBSEQUENT EVENTS

The District continues to be involved in two litigation cases between June 30, 2011 and August 19, 2011. The outcome of the first case is still unknown at this time, however, any potential loss incurred should be covered by insurance. The second case, involving a prior employee, has been settled with no expense to be charged to future periods.

SCHEDULES

CUMBERLAND-SALEM CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award Amount	In-Kind Matching Contribution	Grant Period		Receipts or Revenue Recognized
					From	To	

NA

and support was allocated to the Cumberland-Salem Conservation District by the United States Department of Agriculture in the amount of \$459,988.00. Support included herein since the costs and funds associated with it are controlled totally at the federal level, and the support does not appear to qualify as assistance as defined in the Federal Office of Management and Budget Circular No. A-133 and New Jersey Office of Management and Budget Circular Letter 10-01, because the Cumberland-Salem Conservation District expended less than \$500,000.00 in federal and state assistance, it is not subject to federal cost requirements.

Amounts shown as expenditures on this schedule versus Exhibit B are different because Exhibit B includes expenditures charged against grant monies available from other non-grant receipts.

CUMBERLAND-SALEM CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

State Funding Department	State Program	GMIS Number	Grant Award Amount	From	To	June 30, 2010 Accounts Receivable	Receipts or Revenue Recognized	Expenditures
of Agriculture - Conservation	Stormwater Discharge Permit Program - RFA Fees	3300-100-010- 3330-058- CCCC-6120	\$ 13,125.00	7/1/10	6/30/11	\$ (1,120.00)	\$ 11,095.00	\$ (13,125.00)
Total			<u>\$ 13,125.00</u>			<u>\$ (1,120.00)</u>	<u>\$ 11,095.00</u>	<u>\$ (13,125.00)</u>

Support was allocated to the Cumberland-Salem Conservation District by the New Jersey Department of Agriculture in the amount of \$38,000. Such support is provided since the costs and funds associated with it are controlled totally at the state level, and the support does not appear to qualify as financial assistance as defined in the Department of Management and Budget Circular No. A-133 and New Jersey Office of Management and Budget Circular Letter 04-04. Therefore, because the Cumberland-Salem Conservation District expended less than \$500,000.00 in federal and state assistance, it is not subject to federal or state reporting requirements.

INTERNAL CONTROL COMMENTS

Good internal controls represent sound business practices and provide important safeguards for the Districts operations. While it is recognized that the Board of Supervisors has adopted various policies in the past, internal control could be enhanced with an ongoing review of changes in business operations and the business environment.

Use of District Credit Card

It is recognized that internet purchasing can be the most direct way to purchase an item and that off-line payment is not always an option offered by the vendor. To address this issue, the Board adopted a credit card policy and continues to be in compliance with its directives.

Independent Contractor versus Employee Status

The Internal Revenue Service has specific guidelines regarding independent contractor versus employee status. If an employee is classified or indirectly paid as a subcontractor and there is no reasonable basis for doing so, the District may be liable for employment taxes and other IRS assessments. If the District chooses to engage employees for additional subcontracting work, the specific compensation details (e.g. hourly rate, work to be performed, etc.) should be approved and outlined in the minutes.

Business Registration

Internal Revenue Service regulations required that Form 1099-Miscellaneous be filed for each unincorporated person to whom at least \$600 for services was paid. Our audit examination revealed compliance with these regulations.

New Jersey requires that all business organizations that do business with a local agency and that receive payment from the District equal to or more than the quote threshold be registered with the State of New Jersey and provide proof of that registration to the contracting agency. Therefore, the practice of obtaining such registrations should be part of the District's internal control policies.

Conflict of Interest Policy

Federal and state requirements regarding conflict of interest and ethics compliance are varied. The District has familiarize itself with these requirements and has taken appropriate measures to adhere to them.

Surety Bond Coverage

During fiscal year 2011, the District was covered by a \$2,000,000 public officials liability policy.

COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

COMMENTS

Administrative Practices and Procedures

Quotations are required to be sought for purchases over \$2,625, where it is possible to solicit more than one quote. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District's minutes. For purchases, which are unusual or not routine in nature, a policy should be adopted, addressing such purchases. Any suggested policy should be reviewed with the Solicitor. In addition, when making purchases utilizing the state contract system, the award of such a contract shall be authorized by a resolution of the Board of Supervisors as required by N.J.A.C. 5:34-1.2. As a result of our audit, no exceptions were noted.

Chapter 251 fees appear to be collected substantially in accordance with the adopted fee schedule.

The District was in compliance with the **Financial Accounting Manual for New Jersey Soil Conservation Districts**, which states that all checks of \$1,000 or more must have two signatures, at least one of which shall be the District Chairman or Treasurer.

The District's surety bond coverage appears to be in accordance with the minimum requirements noted in the **Financial Accounting Manual for New Jersey Soil Conservation Districts**.

Financial Planning, Accounting and Reporting

Revenues and receipts appear to be recorded properly and deposited on a timely basis.

Bank statements are reconciled monthly. Sources of revenues and receipts are able to be traced to files.

The District's payroll reports appear to be filed on a timely basis, and the amounts withheld as payroll deductions appear to be remitted properly.

Expenditures are to be evidenced by adequate supporting documentation, including notation of date of payment and check number. No exceptions were noted with regard to expenditure documentation.

COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

RECOMMENDATIONS

None

Status of Prior Year Recommendations

There were no prior year recommendations.

APPRECIATION

We wish to express our appreciation for the assistance and courtesies rendered to us by the officials during the course of the audit.

Should any questions arise as to our comments, please do hesitate to call us.