

COUNTY OF WARREN
OFFICE OF THE SURROGATE
REPORT OF AUDIT
2021

COUNTY OF WARREN
OFFICE OF THE SURROGATE
INDEPENDENT AUDITORS' REPORT AND
BALANCE SHEET AND SUPPLEMENTAL SCHEDULE
YEAR ENDED DECEMBER 31, 2021
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Independent Auditors' Report

The Honorable Director and Members
of the Board of County Commissioners
County of Warren
Belvidere, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the balance sheet –*regulatory basis*– of the Office of the Surrogate, a component unit of the County of Warren, as of and for the years December 31, 2021 and 2020, and the related notes to the balance sheet, as listed in the table of contents

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the financial position of each fund and account group of the Office of the Surrogate as of December 31, 2021 and 2020 in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Office of the Surrogate as of December 31, 2021 and 2020.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), and audit requirements prescribed by the Division. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Office of the Surrogate, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the balance sheet, the financial statement is prepared by the Office of the Surrogate on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United State of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

The Honorable Director and Members
of the Board of County Commissioners
County of Warren
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Responsibilities of Management 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 Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Office of the Surrogate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Office of the Surrogate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Director and Members
of the Board of County Commissioners
County of Warren
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Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statement that collectively comprises the Office's financial statement. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule is fairly stated, in all material respects, in relation to the financial statement as a whole.

Mount Arlington, New Jersey
June 1, 2022

Nisivoccia LLP

NISIVOCCIA LLP

John J. Mooney

John J. Mooney

Registered Municipal Accountant #560

Certified Public Accountant

FINANCIAL STATEMENT

COUNTY OF WARREN
OFFICE OF THE SURROGATE
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2021	2020
<u>ASSETS</u>		
Cash and Cash Equivalents:		
Surrogate's Account	\$ 15,130.55	\$ 9,938.95
Guardianship Trust Fund	3,933,171.32	3,914,512.26
Guardianship Trust Fund - Investments	274,229.05	272,654.78
TOTAL ASSETS	<u>\$ 4,222,530.92</u>	<u>\$ 4,197,105.99</u>
 <u>LIABILITIES AND RESERVES</u>		
Due to Warren County Treasurer	\$ 15,130.55	\$ 9,938.95
Reserve for Guardianship Trust Funds	4,207,400.37	4,187,167.04
TOTAL LIABILITIES AND RESERVES	<u>\$ 4,222,530.92</u>	<u>\$ 4,197,105.99</u>

THE ACCOMPANYING NOTES TO THE BALANCE SHEET
ARE AN INTEGRAL PART OF THIS STATEMENT

COUNTY OF WARREN
OFFICE OF THE SURROGATE
NOTES TO BALANCE SHEET
YEAR ENDED DECEMBER 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Office of the Surrogate, County of Warren conform to the accounting practices applicable to counties which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

A. Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America. Accordingly, the Office of the County Surrogate is a component unit of the County of Warren under provisions of Governmental Accounting Standards Board's Codification Section 2100.

B. Basis of Accounting

The accounting principles and practices prescribed for counties by the Division differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units ("GAAP"). The more significant differences are as follows:

Receipts - receipts are recognized on a cash basis. GAAP requires such receipts to be recognized in the accounting period when they are measurable and available to fund current year's expenditures, reduced by an allowance for doubtful accounts.

Reserves/Disbursements - reserves are established to reflect amounts due to other governments, County offices, or other third parties. Disbursements are recognized when paid rather than when the obligation is incurred. GAAP requires such obligations to be recorded as liabilities and expenditures in the period in which the obligations were incurred, if measurable.

COUNTY OF WARREN
OFFICE OF THE SURROGATE
NOTES TO BALANCE SHEET
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Basis of Accounting (Cont'd)

Investments - investments, which consist of certificates of deposit, are recorded at cost. GAAP generally requires that investments are recorded at fair value.

C. Function of the Office of the Surrogate

The Office of the Surrogate acts as a guardian for the funds of certain residents, such as minors or incompetents. The Office of the Surrogate also acts as intermediary for the County Treasurer by collecting revenue generated in the form of probate fees and fees for copies of wills and similar items. The Office of the Surrogate maintains the following funds:

Surrogate's Account – Accounts for the receipt of fees for probating wills.

Guardianship Fund - Accounts for the receipt of money held for minors and incompetents.

Note 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The County classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the County in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the County ensures that any deposit or investment matures within the time period that approximated the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The County limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The County's policy with respect to custodial credit risk requires that the County ensures that County funds are only deposited in financial institutions in which NJ counties are permitted to invest their funds.

COUNTY OF WARREN
OFFICE OF THE SURROGATE
NOTES TO BALANCE SHEET
YEAR ENDED DECEMBER 31, 2021
 (Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

Deposits:

New Jersey statutes permits the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Office of the Surrogate to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other Bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

COUNTY OF WARREN
OFFICE OF THE SURROGATE
NOTES TO BALANCE SHEET
YEAR ENDED DECEMBER 31, 2021
 (Continued)

Note 2: Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

(8) Agreements for the repurchase of fully collateralized securities if:

- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 C.313 (C.40A:5A-1 et seq.);
- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2021, cash and cash equivalents and investments of the Office of the Surrogate consisted of savings, checking, and certificates of deposit. Cash and cash equivalents and investments held on behalf of the guardians consisted of savings accounts and certificates of deposit.

The carrying amount of the Office of the Surrogate's cash and cash equivalents at December 31, 2021 was \$3,948,301.87, which consisted of \$3,933,171.32 in savings accounts and \$15,130.55 in checking accounts. Investments consisted of \$274,229.05 in certificates of deposit. The total of the corresponding bank balances was \$4,222,530.92.

SUPPLEMENTAL SCHEDULE

COUNTY OF WARREN
OFFICE OF THE SURROGATE
SCHEDULE OF CASH AND INVESTMENTS

	Balance at December 31, 2020	Receipts	Disbursements	Balance at December 31, 2021
Due to Warren County Treasurer	\$ 9,938.95	\$ 139,339.33	\$ 134,147.73	\$ 15,130.55
Reserve for Guardianship Accounts	4,187,167.04	348,299.24	328,065.91	4,207,400.37
	<u>\$ 4,197,105.99</u>	<u>\$ 487,638.57</u>	<u>\$ 462,213.64</u>	<u>\$ 4,222,530.92</u>

COUNTY OF WARREN
OFFICE OF THE SURROGATE
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
YEAR ENDED DECEMBER 31, 2021



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June 1, 2022

The Honorable Director and Members
of the Board of County Commissioners
County of Warren
Belvidere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the comparative balance sheet of the Office of the Surrogate, County of Warren for the year ended December 31, 2021, and have issued our report thereon dated June 1, 2022.

As part of our audit, we performed procedures required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the findings and results thereof are disclosed on the following page. This letter does not affect our report dated June 1, 2022, on the balance sheet of the Office of the Surrogate.

Nisivoccia LLP
NISIVOCIA LLP

John J. Mooney

John J. Mooney
Registered Municipal Accountant #560
Certified Public Accountant

COUNTY OF WARREN
OFFICE OF THE SURROGATE
COMMENTS AND RECOMMENDATIONS

None

COUNTY OF WARREN
OFFICE OF THE SURROGATE
SUMMARY OF RECOMMENDATIONS

None
