

**OCEAN COUNTY SOIL
CONSERVATION DISTRICT
Forked River, New Jersey**

REPORT OF AUDIT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

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OCEAN COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2017

CONSERVATION DISTRICT BOARD OF SUPERVISORS

THE DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dr. William J. Pollock	Chairman	June 30, 2018
Anthony DiLodovico	Vice-Chairman	June 30, 2018
Charlene H. Costaris	Treasurer	June 30, 2019
Dr. Michael Gross	Secretary	June 30, 2020
Martha Maxwell-Doyle	Supervisor	June 30, 2019

MANAGEMENT AND ADMINISTRATIVE STAFF

Christine R. Raabe	District Director
Kerry Jennings	Assistant District Director
Jean Baluski	Office Manager

Note – The District maintains an Employee Theft-Blanket, Forgery or Alteration Insurance Policy in the amount of \$200,000.

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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Williamstown, NJ 08094

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August 16, 2017

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Ocean County Soil Conservation District
714 Lacey Road
Forked River, New Jersey 08731

To the Board of Supervisors:

Report on Financial Statements

We have audited the accompanying financial statements of the Ocean County Soil Conservation District as of June 30, 2017 and the related statements of activities and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Ocean County Soil Conservation District's basic financial statements as listed in the table of contents.

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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; 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 New Jersey Department of Agriculture's Financial Accounting 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial statement presentation.

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 of the financial statements, the financial statements are prepared by the District on the basis of 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, as required by the New Jersey State Soil Conservation Committee.

The effects on the financial statements of the variances between the statutory 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.

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" paragraph, the 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 Ocean County Soil Conservation District, as of June 30, 2017 and 2016, or the results of its operations and changes in net position for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ocean County Soil Conservation District, as of June 30, 2017, and the changes in net position and its cash flows for the year then ended in accordance with the financial provisions of the New Jersey Department of Agriculture's Financial Accounting Manual.

Report on Summarized Comparative Information

We have previously audited Ocean County Soil Conservation District's 2016 financial statements, and our report dated August 27, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean County Soil Conservation District's 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 is not a required part of 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 basic financial statements or to the basic 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 statement of budget versus actual revenue and expenditures if fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Information

The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not required by the New Jersey Department of Agriculture's Financial Accounting Manual and are not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated August 16, 2017 on our consideration of the Ocean County 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering Ocean County Soil Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



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

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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August 16, 2017

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
Ocean County Soil Conservation District
714 Lacey Rd
Forked River, New Jersey 08731

To the Board of Supervisors:

We have audited the financial statements of the Ocean County Soil Conservation District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ocean County Soil Conservation District's basic financial statements and have issued our report thereon dated August 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 such 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**.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Ocean County Soil Conservation District, the funding sources of the Ocean County Soil Conservation District, the New Jersey Department of Agriculture, and Federal and State audit agencies and is not intended to be and should not be used by anyone other than those specified parties. 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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 and 2016

	Temporarily Restricted			Totals		
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2017	June 30, 2016
<u>ASSETS</u>						
Current Assets						
Cash Savings and Temporary Investments						
Operating Funds	\$ 329,717	\$ 3,395,069	\$	\$	\$ 3,724,786	\$ 3,688,886
Accounts Receivable:						
New Jersey Stormwater Aid		9,400			9,400	14,900
Federal Grants				10	10	1,671
Prepaid Expense (Note 15)		19,382			19,382	20,480
Interfund Receivable		326,488		3,229	329,717	233,699
Total Current Assets	329,717	3,750,339		3,239	4,083,295	3,959,636
Property, Plant and Equipment (Note 1E)						
Land and Buildings			422,524		422,524	422,524
Vehicles and Equipment			222,596		222,596	171,610
Less: Accumulated Depreciation			(331,605)		(331,605)	(325,772)
Total Property, Plant and Equipment			313,515		313,515	268,362
Total Assets	\$ 329,717	\$ 3,750,339	\$ 313,515	\$ 3,239	\$ 4,396,810	\$ 4,227,998

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 and 2016

	Temporarily Restricted			Totals		
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2017	June 30, 2016
<u>LIABILITIES, NET POSITION AND RESERVES</u>						
Current Liabilities						
Accounts Payable	\$	\$ 5,031	\$	\$	\$ 5,031	\$ 11,223
Due to the State of New Jersey		8,970			8,970	10,545
Accrued Payroll Liabilities		16,038			16,038	19,445
Unearned Revenue (Note 13)				3,239	3,239	
Interfund Payable	329,717				329,717	233,699
Total Current Liabilities	329,717	30,039		3,239	362,995	274,912
Reserves						
Reserve for Future Legal Fees (Note 3)		40,000			40,000	40,000
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 4)		3,430,266			3,430,266	3,296,994
Reserve for Compensated Absences (Note 12)		155,034			155,034	176,256
Reserve for Retirement Health Benefits (Note 16)		75,000			75,000	75,000
Reserve for Vehicle Acquisitions (Note 17)		20,000			20,000	20,000
Total Reserves		3,720,300			3,720,300	3,608,250
Net Position						
Unrestricted Net Position						76,474
Temporarily Restricted Net Position			313,515		313,515	268,362
Total Net Position			313,515		313,515	344,836
Total Liabilities, Net Position and Reserves	\$ 329,717	\$ 3,750,339	\$ 313,515	\$ 3,239	\$ 4,396,810	\$ 4,227,998

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACITIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted			Totals	
		Chapter 251	Equipment Fund	Grant Fund	June 30, 2017	June 30, 2016
Support and Revenue:						
Soil Erosion and Sediment Control Act Fees	\$	\$ 1,481,034	\$	\$	\$ 1,481,034	\$ 1,666,359
Interest on Deposits	1,093	16,346			17,439	24,722
RFA Fees (New Jersey Stormwater Aid)		41,800			41,800	40,450
319 - OCPD				1,950	1,950	2,395
NJ Yards						15,968
Lawn to Garden				5,923	5,923	3,574
American Littoral Society				4,240	4,240	
Miscellaneous		2,911			2,911	4,319
Roundtable	900				900	1,400
Non-Cash In-Kind; Included as Expenditures Below (Note 2)		100,943			100,943	110,979
Total Support and Revenue	\$ 1,993	\$ 1,643,034	\$	\$ 12,113	\$ 1,657,140	\$ 1,870,166
Expenditures and Net Assets Released from Restrictions:						
Professional Fees	\$	\$ 16,010	\$	\$	\$ 16,010	\$ 14,245
Building Expense:						
Maintenance		24,011			24,011	14,670
Utilities		8,619			8,619	8,098
Office Equipment		2,728			2,728	2,303
319 - OCPD				1,950	1,950	2,395
NJ Yards						15,968
Lawn to Garden				5,923	5,923	3,574
American Littoral Society				4,240	4,240	
Depreciation			16,933		16,933	10,549
Dues and Donations		10,050			10,050	4,515
Insurance		46,920			46,920	38,331
Miscellaneous	4,646				4,646	1,483
Office Expense		95,528			95,528	51,966
Website Expenses		1,500			1,500	1,650

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

**OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACITIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016**

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2017	June 30, 2016
Expenditures (Continued)						
Payroll	\$ 52,181	\$ 509,045			\$ 561,226	\$ 538,445
Payroll Tax	18,203	189,851			208,054	185,703
Employee Benefits		309,815			309,815	303,607
Annual Employer Pension Contribution		121,961			121,961	99,364
Poster Contest	250				250	56
Roundtable	2,492				2,492	1,698
Service Contracts		7,970			7,970	8,281
Telephone		3,784			3,784	4,825
Vehicle Expense		14,787			14,787	13,683
Workshops, Meetings and Training	448	5,623			6,071	6,258
In-Kind Support		100,943			100,943	110,979
Expenditures and Net Assets Released from Restrictions:	78,220	1,469,145	16,933	12,113	1,576,411	1,442,646
Excess (Deficiency) of Support and Revenue Over Expenditures	(76,227)	173,889	(16,933)		80,729	427,520
Non-Operating Sources and Uses:						
Reserve for Soil Erosion and Sediment Control Act Expenditures		(90,828)			(90,828)	(2,354,280)
Compensated Absences		(21,222)			(21,222)	(18,262)
Transfers	(247)	(61,839)	62,086			
Prior Year Accounts Receivable Adjustment						
Net Position beginning of year	76,474		268,362		344,836	2,289,858
Net Position, end of year	\$	\$	\$ 313,515	\$	\$ 313,515	\$ 344,836

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Totals for the Period ended</u>	
	<u>June</u> <u>30, 2017</u>	<u>June</u> <u>30, 2016</u>
Cash Flows provided (used) by Operating Activities		
Excess (Deficiency) of Support and Revenue over Expenditures	\$ 80,729	\$ 427,520
Adjustments to Reconcile Excess (Deficiency) of Support and Revenue over Expenditures to Net Cash provided by Operating Activities:		
Depreciation	16,933	10,549
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	7,161	(1,896)
(Increase) Prepaid Expense	1,098	(1,240)
(Decrease) Increase in Accounts Payable	(6,192)	4,484
(Decrease) Increase in Unearned Revenue	3,239	(3,250)
(Decrease) Accrued Payroll Liabilities	(3,407)	(531)
(Decrease) Increase in Due to State of New Jersey	(1,575)	1,785
Net Cash Provided (Used) by Operating Activities	<u>17,257</u>	<u>9,901</u>
Cash Flows Used by Investing Activities		
Purchase of Fixed Assets	(62,086)	
Net Cash Provided (Used) by Investing Activities	<u>(62,086)</u>	
Net Increase (Decrease) in Cash	35,900	422,767
Cash and Cash Equivalents -		
July 1, 2016 - Beginning of Year	<u>3,688,886</u>	<u>3,266,119</u>
Cash and Cash Equivalents -		
June 30, 2017 - End of Year	<u>\$ 3,724,786</u>	<u>\$ 3,688,886</u>

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of Financial Reporting Entity

The Ocean 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. Department of Agriculture /Natural Resources 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 impacts to soil resources and enhance soil quality.

B Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in Forked River, Township of Lacey, County of Ocean. It was organized in accordance with the provisions of the Soil Conservation Act, N.J.S.A. 4:24 et seq. with a five member Board of Supervisors appointed by the State Committee as the governing body.

The supervisors serve staggered three-year terms with the nominations made by an open public forum. Districts and their partners conduct and implement conservation programs. Districts may receive funding from a variety of public and private sources and employ staff to carry out programs as directed by the Board. All funds, regardless of the source are public funds and are subject to the State Committee's fiscal management standards, rules and statutes.

C Financial Statement Presentation

The District is required to report information regarding its financial position and activities according to three classes of assets, which are Unrestricted Net Position, Temporarily Restricted Net Position and Permanently Restricted Net Position. Unrestricted Net Position can be expended by the District for any aspect of its operations and at any time, as determined by management. Temporarily Restricted Net Position are either restricted as to a specific program, a specific time period or both, but will eventually be expended by the District. Permanently Restricted Net Position can never be expended, but benefit the District through investment earnings on such assets. As of June 30, 2017, the District had only Unrestricted and Temporarily Restricted Net Position.

D Basis of Accounting

The accounting policies of the District conform to practices prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Basis of Accounting - Continued

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

The accounts of the District shall be 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 Position, support, revenues and expenditures. Fixed asset purchases are to be recorded in the fund of acquisition, with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the statement of financial position.

E Property, Plant and Equipment Fund

Capital Assets acquired or constructed during the year are recorded at cost and reflected as expenditures in the applicable governmental fund. Donated assets are valued at their estimated fair market value on the date received. Capital Assets acquired are transferred into the Property, Plant and Equipment fund. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets as listed below:

Equipment	5 Years
Vehicles	5 Years
Furniture	7 Years
Land Improvements	15 Years
Building and Improvements	40 Years

F Amortization of Financing Costs

Financing costs, if any, are amortized over the term of the loan using the straight-line method.

G Use of Estimates

The preparation of financial statements in conformity with the New Jersey Department of Agriculture's Financial Accounting Manual requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Reclassifications

Certain amounts previously reported in the prior year financial statements may be reclassified to conform to current year classifications. These reclassifications have no effect on the total Net Position of the District.

I Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statement in order to provide an understanding of the changes in the district's financial position and operations.

J Support and Expenses

Contributions and restricted grant revenues are measured at their fair market values and are reported as an increase in net position. The District reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is satisfied, temporarily restricted net position are reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

2. NON-CASH SUPPORT

Non-cash support consisting of payroll, fringe benefits, travel and per diem expenses, postage, printing, supplies and indirect support, provided by the federal and state governments to assist in the operations of the District, is as follows:

	<u>Federal</u>	<u>State</u>	<u>Total June 30, 2017</u>
Indirect Support		\$ 35,000	\$ 35,000
Salaries	\$ 37,315		37,315
Fringe Benefits	13,492		13,492
Rent, Telephone and Other	15,136		15,136
Totals	\$ 65,943	\$ 35,000	\$ 100,943

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

3. RESERVE FOR FUTURE LEGAL COSTS

The Reserve for Future Legal Costs provides the District with funds necessary to pay for estimated future legal costs incurred as a result of current Chapter 251 operations. The District has set this Reserve at \$40,000, as of June, 30 2017.

4. RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL EXPENDITURES

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to identify the funds available for the costs of future expenditures on projects currently received and in progress, for which fees under the act have been previously collected.

All fees collected from applicants are restricted to the Chapter 251 program and used only for implementing that program. The reserve balance includes the unexpended initial review/certification/inspection fees and supplemental fees received. At the option of the District Board and pursuant to formal action by the District Board, interest income from reserve balances may be utilized for the Chapter 251 program or for the District education program. Use of interest income is authorized by N.J.A.C. 2:90-1.12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007. The certification fees collected by the District are derived from an adopted fee schedule that was effective starting August 1, 2010. On April 15, 2010, a \$25 increase was approved for State Administration fees.

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures at June 30, 2017 was \$3,430,266, as compared with \$3,296,994 in the prior year.

5. CASH AND TEMPORARY INVESTMENTS

The District is responsible to designate and approve a list of authorized depository institutions based on their evaluation of each financial institution.

Cash may consist of demand deposits and temporary investments in the form of certificates of deposit held at financial institutions. For purposes of the statement of cash flows, the Ocean County Soil Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

5. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

New Jersey Cash Management Fund

All Fund investments are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and minimize the related risks. The Division has never suffered a default of principal or interest on any security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as protection for "Other-than-State" participants. As of June 30, 2017, the District had \$-0- on deposit with the New Jersey Cash Management Fund.

6. CONCENTRATION OF CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2017, the District's bank balance of \$3,730,878 was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 500,000
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name	<u>3,230,878</u>
	<u>\$ 3,730,878</u>

7. RISK MANAGEMENT

The Soil Conservation District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

8. DEFERRED COMPENSATION SALARY ACCOUNT

The District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.