MERCER COUNTY SOIL CONSERVATION DISTRICT

Mercer County, New Jersey

REPORT OF AUDIT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

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MERCER COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2014

DISTRICT GOVERNING BODY

Name	Title	Term Expires
Priscilla Hayes	District Chairperson	6/30/17
Gary Mount	District Vice Chairperson	6/30/17
Edward J. DiPolvere	District Treasurer	6/30/19
Peggy D. McNeill	Supervisor	12/31/14
W. Scott Ellis	Supervisor	6/30/18

Administrative Officials

William Brash, Jr.	District Manager
Linda Sandusky	Office Administrator

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 16, 2014

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Mercer County Soil Conservation District
508 Hughes Drive
Hamilton Square, New Jersey 08690

Ladies and Gentlemen:

Report on Financial Statements

We have audited the accompanying financial statements of the Mercer County Soil Conservation District as of June 30, 2014 and the related statements of activities and changes in net position and of cash flows for the year then ended, which collectively comprise the Mercer 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 accounting principles generally accepted in the United States of America; this includes 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. The prior year summarized comparative information has been derived from the Mercer County Soil Conservation District's 2013 financial statements and in our report dated August 16, 2013, we expressed unmodified opinions on the respective financial statements of financial position, activities and changes in net position 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mercer County Soil Conservation District as of June 30, 2014, and the changes in net position 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, Department of Agriculture, State of New Jersey.

New Accounting Standards

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB); Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mercer County Soil Conservation District's, financial statements as a whole. The accompanying introductory section, and other supplementary information such as the schedule of budget versus actual expenditures, schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary schedules of expenditures of budget versus actual expenditures and schedule of expenditures of federal awards and state assistance are presented for purposes of additional analysis as required by the State of New Jersey, Department of Agriculture, and State Soil Conservation Committee. These schedules were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject 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. In our opinion, the information is fairly stated in all material respects in relation to the 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 21, 2014 on our consideration of the Mercer 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 and should be read in conjunction with this report in considering the results of our audit.

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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September 16, 2014

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
Mercer County Soil Conservation District
508 Hughes Drive
Hamilton Square, New Jersey 08690

Ladies and Gentlemen:

We have audited the financial statements of the Mercer County Soil Conservation District as of and for the year ended June 30, 2014, and have issued our report thereon dated September 16, 2014. 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; 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 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 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 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

This report is intended for the information of the Mercer County Soil Conservation District, the funding sources of the Mercer 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

EXHIBIT A
(1)

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2014 and 2013

		Temporarily Restricted							Totals for the Period Ended	
ASSETS	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic Database	Agricultural Assistance Program	Conservation Assistance Program	Forestry Grant	Firewise Grant	June 30, 2014	June 30, 2013
Current Assets:										
Cash - Operating Funds	$	$ 49,350	$	$ 5,072	$ 3,833	$	$	$ 4,119	$ 62,374	$ 36,321
Savings and Investments		96,043			1,099,683				1,195,726	1,292,326
Interfund Receivable	5,491	37,397							42,888	8,478
Prepaid Expenses		2,780							2,780	7,522
Federal Awards Receivable										591
State Awards Receivable	2,650					22,818			25,468	29,075
Accounts Receivable	4,897						4,165		9,062	7,301
Total Current Assets	13,038	185,570		5,072	1,103,516	22,818	4,165	4,119	1,338,298	1,381,614
Fixed Assets:										
Vehicles			59,462						59,462	59,462
Office Furniture and Equipment			27,341						27,341	27,341
Leasehold Improvements			64,500						64,500	58,231
			151,303						151,303	145,034
Less: Accumulated Depreciation			120,470						120,470	117,660
Total Fixed Assets - Net of			30,833						30,833	27,374
Total Assets	$ 13,038	$ 185,570	$ 30,833	$ 5,072	$ 1,103,516	$ 22,818	$ 4,165	$ 4,119	$ 1,369,131	$ 1,408,988

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

EXHIBIT A
(2)

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2014 and 2013

		Temporarily Restricted							Totals for the Period ended	
LIABILITIES, Net Position AND RESERVES	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic Database	Agricultural Assistance Program	Conservation Assistance Program	Forestry Grant	Firewise Grant	June 30, 2014	June 30, 2013
Current Liabilities:										
Accounts Payable	$	$ 1,901	$	$	$	$	$	$	$ 1,901	$ 978
Accrued Payroll and Payroll Taxes		10,976							10,976	9,808
Interfund Payable	37,397					1,326	4,165		42,888	8,478
Reserve - Agricultural Assistance Program					1,103,516				1,103,516	1,122,718
State Application Fee Payable		1,225							1,225	1,840
Unearned Revenue				5,072		21,492		4,119	30,683	25,611
Total Current Liabilities	37,397	14,102		5,072	1,103,516	22,818	4,165	4,119	1,191,189	1,169,433
NET POSITION AND RESERVES:										
Temporarily restricted Net Position and Reserves:										
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 3)		159,468							159,468	168,641
Reserve for Future Legal Costs (Note 4)		12,000							12,000	12,000
Investment in Fixed Assets			30,833						30,833	27,374
Unrestricted Net Position	(24,359)								(24,359)	31,540
Total Net Position and Reserves	(24,359)	171,468	30,833						177,942	239,555
Total Liabilities, Net Position and Reserves	$ 13,038	$ 185,570	$ 30,833	$ 5,072	$ 1,103,516	$ 22,818	$ 4,165	$ 4,119	$ 1,369,131	$ 1,408,988

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

EXHIBIT B

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

		Temporarily Restricted					Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic Database	Conservation Assistance Program	Forestry Grant	June 30, 2014	June 30, 2013
Support and Revenue								
Soil Erosion and Sediment Control Act Fees (Net)	$	$ 232,681	$	$	$	$	$ 232,681	$ 212,573
Mercer County General Purpose Appropriation	48,000						48,000	24,000
N. J. Conservative Cost Share Program					163,434		163,434	157,543
Agriculture Assistance Cost Share Program	740						740	906
Plant for Pollinators (Net)	113						113	181
Forestry Grant						36,126	36,126	
Stormwater Discharge Program	13,150						13,150	9,075
H&H Database								5,072
CWPP-Community Wildfire Protection (Net)	25,569						25,569	50,295
No Net Loss (Net)	12,533						12,533	12,627
NRCS Outreach Program								6,717
Americorp Rental Fee	1,000						1,000	750
Cumberland Salem Technical Assistance	15,250						15,250	831
Insurance Recovery	6,425						6,425	
Miscellaneous	2,036						2,036	1,095
Interest on Savings and Investments	764	509					1,273	1,995
Non-Cash In-Kind; Included as Expenditures Below (Note 2)		225,242					225,242	246,361
Total Support and Revenue	125,580	458,432			163,434	36,126	783,572	730,021
Expenditures								
Salaries and Wages		242,843			121,724	36,126	400,693	407,812
Fringe Benefits		71,791			19,509		91,300	90,541
Administrative Costs					9,112		9,112	6,758
Consultant and Contract Services		8,364			1,000		9,364	9,849
Travel and Related Expenses		4,771					4,771	5,091
Utilities		8,776			521		9,297	9,286
Membership		981					981	960
Maintenance, Repairs and Supplies		4,783					4,783	6,975
590 Hughes Drive Expenses		6,286					6,286	4,369
Legal		6,500					6,500	7,500
Service Charges		1,960					1,960	1,867
Training and Meetings		2,414					2,414	5,084
Envirothon		500					500	534
Office Supplies and Expense		2,069					2,069	2,362
Postage		893					893	900
Printing and Stationary		769					769	201
Insurance		13,904					13,904	11,126
Contributions and Awards		62					62	600
Pension (Note 10)		33,752			11,568		45,320	44,292
Dues		830					830	80
Depreciation			2,809				2,809	2,537
Non-Cash In-Kind		225,242					225,242	246,361
Miscellaneous Expense		254					254	1,098
Total Expenditures		637,744	2,809		163,434	36,126	840,113	866,183
Excess (Deficiency) of Support and Revenue over Expenditures	125,580	(179,312)	(2,809)				(56,541)	(136,162)
Prior Year Deferred Revenue Adjustment				(5,072)			(5,072)	
Other Transfers	(181,479)	170,139	6,268	5,072				38,281
Net Position, Beginning of Year	31,540	180,641	27,374				239,555	337,436
Net Position End of Year (See Exhibit A)	$ (24,359)	$ 171,468	$ 30,833	$	$	$	$ 177,942	$ 239,555

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

EXHIBIT C

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

	Totals for the Period Ended	
	12 Months Ended June 30, 2014	12 Months Ended June 30, 2013
Cash Flows Provided (Used) by Operating Activities		
(Decrease) in Net Assets for the Year- Per Exhibit B	$ (56,541)	$ (136,162)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	2,809	2,537
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	2,438	10,115
(Increase) Decrease in Prepaid Expenses	4,742	(1,271)
Increase (Decrease) in Accounts Payable	923	727
Increase (Decrease) in Accrued Payroll	1,168	
Increase (Decrease) in Unearned Revenue		(892)
Increase (Decrease) in State Application Fee Payable	(615)	790
Increase (Decrease) in Reserve for Agricultural Assistance Program	(19,202)	(80,961)
Net Cash Used by Operating Activities	(64,278)	(205,117)
Cash Flows Used by Investing Activities		
Purchase of Fixed Assets	(6,269)	(1,799)
Net Decrease in Cash for the Year	(70,547)	(206,916)
Cash, Beginning of Year	1,328,647	1,535,563
Cash, End of the Year	$ 1,258,100	$ 1,328,647

Analysis of Balance:	
Cash	$ 62,374
Savings and Interest	1,195,726
Total	$ 1,258,100

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

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

The Mercer 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 1976, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources and enhance soil quality.

Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in the Hamilton Township, County of Mercer. It was organized in 1959 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.

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, 2014, the district had only Unrestricted and Temporarily Restricted Net Position.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Support and Expense

Contributions and restricted grant revenues are measured at their fair 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.

Basis of Accounting

The accounting policies of 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.

All of the District's funds are accounted for using the 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.

Reserve for Future Legal Costs Fund

The Reserve for Future Legal Costs Fund is used to pay future legal costs incurred as a result of current Chapter 251 operations.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Asset acquisitions 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
Furniture	10 Years
Building and Improvements	40 Years

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

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, 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 could differ from those estimates.

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.

New Accounting Standards

- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect in a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

- GASB 65, *Items Previously reported as Assets and Liabilities,* although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED

2. NON-CASH SUPPORT

Non-cash support consisting of 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:

	Federal	State	Total
Salaries	$ 100,986	$	$ 100,986
Administrative and technical		47,388	47,388
Fringe Benefits	36,495		36,495
Rent	40,373		40,373
Totals	$ 177,854	$ 47,388	$ 225,242

3. 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 (including site inspections) 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:

Chapter 251 Fees Collected to Fiscal Year Ending June 30, 2014		
2011 - 2012:	238,813 X 10%=	$ 23,881
2012 - 2013:	212,573 X 20%=	42,515
2013 - 2014:	232,681 X 40%=	93,072
Reserve Balance June 30, 2014		$159,468

The certification fees collected by the District are derived from an adopted fee schedule that was effective starting November 21, 1994. As a result of rising expenses incurred by the District to maintain their level of services, the Board has revised the fee schedule, effective April 15, 2010, to bring the fees charged in comparability to the expenses incurred. On April 15, 2010 a $25.00 increase was approved for a State Administrative fee. The fund equity of the Reserve for Future Soil Erosion and Sediment Control Act Expenditures as of June 30, 2014 and 2013 was $159,468 and $168,641, respectively.

4. 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. Management estimates that based on prior experience, the reserve balance for future legal costs should be $12,000.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

5. CASH AND CASH EQUIVALENTS

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 Mercer County Soil Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. CONSENTRATION OF CUSTODIAL CREDIT RISK

All bank deposits and investments as of the balance sheet date are classified as to credit risk. At times, amounts on deposit may exceed Federal insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible. As of June 30, 2014, $849,729 of the districts bank balance of $1,258,990 was exposed to custodial credit risk.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term 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 additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2014, the District had $ 1,099,729 on deposit with the New Jersey Cash Management Fund.

7. REQUEST FOR AUTHORIZATION

All storm water discharge associated with construction activity within the State of New Jersey incurs a fee payable to "Treasurer – State of New Jersey". A portion of the fee is 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.

8. CONTINGENT LIABILITIES

Per confirmation by the Mercer County Soil Conservation District's legal counsel, there are no pending litigations, claims, assessments, unasserted claims, or contingent liabilities against the District, which are considered material.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

9. DEFERRED COMPENSATION SALARY ACCOUNT

The District offers their 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.

10. PENSION

The District contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System, which is administered by the Division of Pensions and Benefits, Treasury Department of the State of New Jersey. This plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for the PERS. The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pension and Benefits
P.O. Box 295
Trenton, NJ 08625-0295

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L.1994, plan members enrolled in the Public Employees' Retirement System are required to contribute a percentage of their annual covered salary to the system. The District is billed annually for its normal contribution plus any accrued liability. The District does not have an accrued liability on account of prior service costs for their enrolled employees.

The District's contributions to the plan, equal to the required contributions, were as follows:

Fiscal Year	Contribution
2013-14	$ 45,320
2012-13	44,292
2011-12	32,621
2010-11	43,368
2009-10	39,518

11. SURETY BONDS

An honesty blanket bond in the amount of $500,000 was maintained covering all district personnel handling cash with a $1,000 deductible.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

12. 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.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, and employee dishonesty. Adequacy of insurance coverage is the responsibility of the District.

13. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The District covers its employees under the New Jersey Unemployment Trust Fund by the "Contributions" method. Under this method, a contribution rate is established annually for the District share of unemployment tax. This rate is based on cost experience for all government employers.

14. COMMUNITY WILDFIRE PROTECTION PLANS

The Forest Fire Service of the New Jersey Department of Environmental Protection has authorized the District to develop Wildfire Protection Plans for selected communities throughout New Jersey and conduct training and workshops to support CWPP development.

15. NO NET LOSS

The District is to provide needed technical and inspection assistance to Robbinsville Township for the proper implementation of the No Net Loss Reforestation Act. This agreement will be in effect through calendar year 2015 and is not to exceed $10,000.

16 HYDRAULIC AND HYDROLOGIC DATABASE

During 2012, the District entered into an agreement with the New Jersey Department of Agriculture, whereby the District shall provide data entry services of stormwater basin design information, which has been collected on detention basin summary sheets since 1986. The NJDA has allocated $10,144 to fund the District's participation in this project. The District received the first half of these funds, totaling $5,072, during the 2012-13 fiscal year and will receive the remaining portion upon completion of the project.

16. SUBSEQUENT EVENTS

There were no material events between June 30, 2014 and September 16, 2014 affecting the financial status of the Mercer County Soil Conservation District.

End of Notes to Financial Statements

SCHEDULE 1

MERCER COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

Expenditures	Budget	Actual	Under/(Over) Budget
Salaries and Wages	$ 278,016	$ 278,969	$ (953)
Fringe Benefits	105,797	105,543	254
Dental Insurance	3,000	5,045	(2,045)
Contract Services	9,000	8,364	636
Travel and Related Expenses	1,000	4,531	(3,531)
Vehicle Registration	239	240	(1)
Utilities	7,000	8,776	(1,776)
Membership	200	981	(781)
Maintenance and Repairs	3,000	4,783	(1,783)
Legal	3,500	6,500	(3,000)
Service Charges	1,800	1,960	(160)
Training and Meetings	2,000	2,414	(414)
Educational Expenses	100		100
Envirothon	500	500	
Office Supplies and Expenses	2,100	2,069	31
Postage	900	893	7
Printing and Stationary	500	769	(269)
Insurance	8,000	8,859	(859)
Awards	100	62	38
Dues	200	830	(630)
590 Hughs Drive		6,286	(6,286)
Miscellaneous Expense	300	254	46
Totals	$ 427,252	448,628	$ (21,376)
Adjustments:			
In-Kind Support		225,242	
Federal and State Assistance		163,434	
Depreciation		2,809	
Total expenditures - to Exhibit B Unrestricted, Forestry Grant and Chapter 251		$ 840,113	

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

SCHEDULES

SCHEDULE 1

MERCER COUNTY SOIL CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal/ State Grantor Program Title	Federal CFDA Number	Program Award Amount	Grant Period	June 30, 2013 Accounts Receivable	June 30, 2013 Unearned Revenue	Revenue/ Receipts	Expenditures	June 30, 2014 Accounts Receivable	June 30, 2014 Unearned Revenue
US Department of Agriculture									
In-Kind Contribution	N/A	$ 177,854	2012-2013	$	$	$ 177,854	$ (177,854)	$	$
NRCS Outreach program	10.902	24,000	9/30/12-9/30/13	(591)		591			
EFRP: Hurricane Sandy Emergency Forestry Restoration Program	13-DG-11420004-177	94,000	8/4/13-6/30/15			31,961	(36,126)	(4,165)	
US Department of Environmental Protection:									
Firewise Grant	10-664		2003-2014		4,119				4,119
Totals				$ (591)	$ 4,119	$ 210,406	$ (213,980)	$ (4,165)	$ 4,119

SCHEDULE 3

MERCER COUNTY SOIL CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2014

State Grantor Program Title	Grant Number	Program Award Amount	Grant Period	June 30, 2013 Accounts Receivable	June 30, 2013 Unearned Revenue	Revenue/ Receipts	Expenditures	Adjustment	June 30, 2014 Accounts Receivable	June 30, 2014 Unearned Revenue
State of New Jersey Dept. of Agriculture:										
In-Kind Contribution	N/A	$ 47,388	2013-2014	$	$	$ 47,388	$ (47,388)	$	$	$
Division of Watershed Management	66.460	18,490	7/1/13-6/30/14			15,840	(18,490)		(2,650)	
		9,075	7/1/12-6/30/13	(1,610)		1,610				
Hydraulic and Hydrologic Database for Stormwater Management Basins	SSCC-251-HDF1	10,145	7/24/12-Completion					5,072		5,072
Conservation Assistance Program	N/A		2005-2014	(27,465)	21,492	168,081	(163,434)		(22,818)	21,492
				$ (29,075)	$ 21,492	$ 232,919	$ (229,312)	$ 5,072	$ (25,468)	$ 26,564

MERCER COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2014

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 quotation. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District 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. No exceptions were noted.

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

According to the **Financial Accounting Manual for New Jersey Soil Conservation Districts**, all checks of $1,000 or more must have two signatures, at least one of which shall be the District Chairman. One exception were noted with regard to the required signatures.

Financial Planning, Accounting and Reporting

The budget prepared by the Mercer County Soil Conservation District was not in the format prescribed in the **Financial Accounting Manual for New Jersey Soil Conservation Districts**. The district has opted to change their format when an updated manual is available.

In accordance with the **Financial Accounting Manual for New Jersey Soil Conservation Districts**, the accounting period used by all Soil Conservation Districts is to be the same as that of the State of New Jersey. Accordingly, the Mercer County Soil Conservation District maintains its records on a June 30 fiscal year basis.

MERCER COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR JUNE 30, 2014

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 not hesitate to call us.