

**MERCER COUNTY SOIL
CONSERVATION DISTRICT**

Mercer County, New Jersey

REPORT OF AUDIT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2016

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MERCER COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2016

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Priscilla Hayes	District Chairperson (Retired 6/2/16)	6/30/17
Gary Mount	District Vice Chairperson	6/30/17
Edward J. DiPolvere	District Treasurer	6/30/18
Peggy D. McNeill	Supervisor (Retired 12/3/15)	6/30/17
W. Scott Ellis	Supervisor	6/30/18

Administrative Officials

Paul Schiariti	District Manager
Linda Sandusky	Office Administrator

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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September 6, 2016

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Mercer County Soil Conservation District
590 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, 2016 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 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 Mercer County Soil Conservation District, as of June 30, 2016 and 2015, 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 Mercer County Soil Conservation District, as of June 30, 2016, 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 Mercer County Soil Conservation District's 2015 financial statements, and our report dated September 18, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 New Jersey Department of Agriculture's Financial Accounting Manual. 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 and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated September 6, 2016 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

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A Professional Association

Certified Public Accountants

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September 6, 2016

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
590 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, 2016, and have issued our report thereon dated September 6, 2016. 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, 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

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2016 and 2015

	Temporarily Restricted								Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipmen	NJ Hydraulic & Hydrologic Database	Agricultural Assistance Program	Conservation Assistance Program	Grant	Grant Fund	June 30, 2016	June 30, 2015
ASSETS										
Current Assets:										
Cash - Operating Funds	\$ 54,039	\$ 316,097		\$ 5,072	\$ 17,206	\$ 8,250		\$ 16,617	\$ 417,281	\$ 188,435
Savings and Investments					952,672				952,672	1,040,354
Interfund Receivable	3,697								3,697	9,153
Prepaid Expenses		1,989							1,989	1,652
Federal Awards Receivable							3,697		3,697	5,057
State Awards Receivable	7,550					13,242			20,792	32,966
Accounts Receivable										2,590
Total Current Assets	65,286	318,086		5,072	969,878	21,492	3,697	16,617	1,400,128	1,280,207
Fixed Assets:										
Vehicles			59,462						59,462	59,462
Office Furniture and Equipment			27,341						27,341	27,341
Leasehold Improvements			84,352						84,352	84,352
			171,155						171,155	171,155
Less: Accumulated Depreciation			127,826						127,826	123,574
Total Fixed Assets - Net of			43,329						43,329	47,581
Total Assets	\$ 65,286	\$ 318,086	\$ 43,329	\$ 5,072	\$ 969,878	\$ 21,492	\$ 3,697	\$ 16,617	\$ 1,443,457	\$ 1,327,788

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

**MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2016 and 2015**

	Temporarily Restricted							Totals for the Period Ended		
	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic	Agricultural Assistance Program	Conservation Assistance Program	Forestry Grant	Grant Fund	June 30, 2016	June 30, 2015
<u>LIABILITIES, NET POSITION AND RESERVES</u>										
Current Liabilities:										
Accounts Payable	\$	\$ 2,648	\$	\$	\$	\$	\$	\$	\$ 2,648	\$ 5,536
Accrued Payroll and Payroll Taxes		4,129							4,129	3,292
Interfund Payable							3,697		3,697	9,152
Reserve - Agricultural Assistance Program					969,878				969,878	1,103,516
State Application Fee Payable		1,175							1,175	1,325
Unearned Revenue				5,072		21,492		16,617	43,181	67,300
Total Current Liabilities		7,952		5,072	969,878	21,492	3,697	16,617	1,024,708	1,190,121
<u>NET POSITION AND RESERVES:</u>										
Temporarily restricted Net Position and Reserves:										
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 3)		298,134							298,134	172,052
Reserve for Future Legal Costs (Note 4)		12,000							12,000	12,000
Investment in Fixed Assets			43,329						43,329	47,581
Unrestricted Net Position	65,286								65,286	(93,966)
Total Net Position and Reserves	65,286	310,134	43,329						418,749	137,667
Total Liabilities, Net Position and Reserves	\$ 65,286	\$ 318,086	\$ 43,329	\$ 5,072	\$ 969,878	\$ 21,492	\$ 3,697	\$ 16,617	\$ 1,443,457	\$ 1,327,788

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

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	Temporarily Restricted						Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic Database	Conservation Assistance Program	Grant Fund	June 30, 2016	June 30, 2015
Support and Revenue								
Soil Erosion and Sediment Control Act Fees (Net) \$		\$ 373,833	\$	\$	\$	\$	\$ 373,833	\$ 260,646
Mercer County General Purpose Appropriation	36,000						36,000	36,000
Dam Inspection Assist Program	90,000						90,000	
USDA Watershed Program - Dam Assessment						40,000	40,000	
N. J. Conservative Cost Share Program					37,193		37,193	170,876
Agriculture Assistance Cost Share Program	788						788	764
Plant for Pollinators								250
Forestry Grant						3,697	3,697	19,703
Fire Adapted Comm								5,104
Stormwater Discharge Program	14,980						14,980	13,020
H&H Database	112						112	112
CWPP-Community Wildfire Protection (Net)	3,522						3,522	15,111
No Net Loss (Net)	4,347						4,347	11,408
Americorp Rental Fee	250						250	1,000
Cumberland Salem Technical Assistance								2,628
Donation								100
Miscellaneous	5,890						5,890	5,933
Interest on Savings and Investments	3,363						3,363	947
Non-Cash In-Kind; Included as								
Expenditures Below (Note 2)		240,088					240,088	209,494
Total Support and Revenue	159,252	613,921			37,193	43,697	854,063	753,096

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

EXHIBIT B
(2)

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	Temporarily Restricted						Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	NJ Hydraulic & Hydrologic Database	Conservation Assistance Program	Grant Fund	June	June
							30, 2016	30, 2015
Expenditures								
Salaries and Wages		122,271			23,994	40,000	186,265	413,743
Fringe Benefits		34,749					34,749	42,327
Fire Adapted Comm								5,104
FSA EFRP		3,200					3,200	138
Consultant and Contract Services		5,003				3,697	8,700	9,069
Travel and Related Expenses		1,296					1,296	3,356
Utilities		5,703					5,703	6,857
Membership		1,015					1,015	1,356
Maintenance, Repairs and Supplies		13,929					13,929	6,179
590 Hughes Drive Expenses								11,197
Legal		4,590					4,590	5,790
Service Charges		1,802					1,802	1,828
Training and Meetings		1,733					1,733	1,401
Envirothon		500					500	500
Office Supplies and Expense		3,627					3,627	3,082
Postage		837					837	635
Printing and Stationary		566					566	363
Insurance		6,168					6,168	11,944
Contributions and Awards		324					324	303
Pension (Note 10)		39,335			13,199		52,534	50,246
Dues		1,050					1,050	1,350
Depreciation			4,252				4,252	3,104
Non-Cash In-Kind (Note 2)		240,088					240,088	209,494
Plant for Pollinators								250
Miscellaneous Expense		53					53	3,755
Total Expenditures		487,839	4,252		37,193	43,697	572,981	793,371
Excess (Deficiency) of Support and Revenue over Expenditures	159,252	126,082	(4,252)	-	-	-	281,082	(40,275)
Prior Year Deferred Revenue Adjustment								
Other Transfers								
Net Position, Beginning of Year	(93,966)	184,052	47,581				137,667	177,942
Net Position End of Year (See Exhibit A)	\$ 65,286	\$ 310,134	\$ 43,329	\$ -	\$ -	\$ -	\$ 418,749	\$ 137,667

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

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	Totals for the Period Ended	
	June 30, 2016	June 30, 2015
Cash Flows Provided (Used) by Operating Activities		
(Decrease) in Net Assets for the Year- Per Exhibit B	\$ 281,082	\$ (40,275)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,252	3,104
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	16,124	(6,083)
(Increase) Decrease in Prepaid Expenses	(337)	1,128
Increase (Decrease) in Accounts Payable	(2,888)	3,635
Increase (Decrease) in Accrued Payroll	837	(7,684)
Increase (Decrease) in Unearned Revenue	(24,120)	36,616
Increase (Decrease) in State Application Fee Payable	(150)	100
Increase (Decrease) in Reserve for Agricultural Assistance Program	(133,636)	
Net Cash Used by Operating Activities	141,164	(9,459)
Cash Flows Used by Investing Activities		
Purchase of Fixed Assets		(19,852)
Net Decrease in Cash for the Year	141,164	(29,311)
Cash, Beginning of Year	1,228,789	1,258,100
Cash, End of the Year	\$ 1,369,953	\$ 1,228,789
Analysis of Balance:		
Cash	\$ 417,281	
Savings and Interest	952,672	
Total	\$ 1,369,953	

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, 2016 AND 2015

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, 2016, 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, 2016 AND 2015

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 practices prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

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, 2016 AND 2015

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.

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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Salaries	\$ 116,321	\$	\$ 116,321
Administrative and Technical		39,000	39,000
Fringe Benefits	41,364		41,364
Rent	43,403		43,403
Totals	<u>\$ 201,088</u>	<u>\$ 39,000</u>	<u>\$ 240,088</u>

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

3. 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.

Prior to the 2015-16 year, this reserve was limited to a calculation involving certification fees collected during the current and two preceding years, multiplied by certain percentages per year. However, in August 2015, the District adopted a revised Financial Accounting Manual, which no longer utilizes this calculation. As such, the June 30, 2016 Reserve for Future Soil Erosion and Sediment Control Act Expenditures was \$298,134, as compared to \$172,052 in the prior year.

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.

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. 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

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

6. CONCENTRATION OF CUSTODIAL CREDIT RISK (Continued)

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, 2016, the District's bank balance of \$1,371,034 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	871,034
	<u>\$ 1,371,034</u>

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, 2016, the District had \$952,672 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, 2016 AND 2015

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

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system.

GASB 68 - Accounting and Financial Reporting for Pensions

State and local governments participating in government pension plans are required to reflect liabilities, deferred outflows/inflows of resources and expenditures related to pension activity. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employers about financial support for pensions that are provided by other state entities.

The District does not and is not required to follow generally accepted accounting principles (GAAP) and, as such, does not follow GASB requirements with respect to the recording of pension liabilities and deferred outflows/inflows of resources on its balance sheets. However, the District is required to disclose GASB 68 information in the Notes to the Financial Statements.

A. Funding Policy

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

Tier	Definition
1	Members who are enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

Public Employees' Retirement System – Continued

A. Funding Policy – Continued

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The District's contributions to PERS for the years ended June 30, 2016, and 2015, were \$52,234 and \$50,246 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the years ended June 30, 2016 and 2015 was \$186,265 and \$413,743. Payroll covered by PERS was \$158,779 for 2015-16.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

Public Employees' Retirement System – Continued

A. Funding Policy – Continued

Information regarding contributions made by the State of New Jersey on behalf of the District is not available. Contributions to the system for the year ended June 30, 2016 is as follows:

	<u>PERS</u>
Employees	\$ 11,210
District	52,234
Total	<u>\$ 63,444</u>

B. Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years.
- It increased the PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the States Defined Contribution Retirement Program.

Information regarding contributions made by the State of New Jersey on behalf of the Board is not available.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

C. Components of Net Pension Liability

Year	PERS
2016	\$ 30,214
2017	30,214
2018	30,214
2019	30,214
2020	30,214
Thereafter	19,945
Total	<u>\$ 171,015</u>

At June 30, 2016, the District's proportionate share of the PERS net pension liability was \$1,371,687. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Township's proportion measured as of June 30, 2015, was .00611%, which was an increase of .0002% from its proportion measured as of June 30, 2014.

D. Pension Expense and Deferred Outflows/Inflows of Resources

The District's 2015-16 PERS pension expense, with respect to GASB 68, was \$52,534. The District's 2015-16 deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,724	\$
Changes of assumptions	147,308	
Net difference between projected and actual earnings on pension plan investments		22,054
Changes in proportion and differences between District contributions and proportionate share of contributions	13,037	
District contributions subsequent to the measurement date	52,534	
Total	<u>\$ 245,603</u>	<u>\$ 22,054</u>

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

D. Pension Expense and Deferred Outflows/Inflows of Resources - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Collective Balances at June 30, 2014 and 2015 are as follows:

	Actuarial Valuation Date	
	6/30/2014	6/30/2015
Collective deferred outflows of resources	\$ 48,832	\$ 193,069
Collective deferred inflows of resources	\$ 68,006	\$ 22,054
Collective net pension liability	\$ 1,141,144	\$ 1,371,687
District's Proportion	0.00609%	0.00611%

E. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS
Interest Rate	7.90%
Salary Scale (Based on Age):	
2012-2021	2.15% - 4.40%
Thereafter	3.15% - 5.40%
Inflation	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

F. Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

G. Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

10. PENSION - CONTINUED

H. Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount (4.90%)	1% Increase (5.90%)
Township's proportionate share of the net pension liability	\$ 1,704,839	\$ 1,371,687	\$ 1,092,375

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
2015-16	\$ 52,534
2014-15	50,246
2013-14	45,320
2012-13	44,292
2011-12	32,621

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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.

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.

17. SUBSEQUENT EVENTS

There were no material events between June 30, 2016 and September 6, 2016 affecting the financial status of the Mercer County Soil Conservation District.

SCHEDULES

MERCER COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over)</u> <u>Budget</u>
Salaries and Wages	\$ 148,606	\$ 162,271	\$ (13,665)
Fringe Benefits	75,210	72,560	2,650
Dental Insurance	4,000	1,524	2,476
Contract Services	8,495	8,700	(205)
Travel and Related Expenses	3,000	1,141	1,859
Vehicle Registration	160	155	5
Utilities	10,300	5,703	4,597
Membership	995	1,015	(20)
Maintenance and Repairs	25,000	13,929	11,071
Legal	6,000	4,590	1,410
Service Charges	1,900	1,802	98
Training and Meetings	2,500	1,733	767
Educational Expenses	200		200
Envirothon	500	500	
Office Supplies and Expenses	3,900	3,627	273
Postage	700	837	(137)
Printing and Stationary	500	566	(66)
Insurance	7,580	6,168	1,412
Awards	110	324	(214)
Dues	1,350	1,050	300
Miscellaneous Expense	400	53	347
Contributions	50		50
FSA EFRP	3,200	3,200	
Totals	\$ 304,656	291,448	\$ 13,208
Adjustments:			
In-Kind Support		240,088	
Federal and State Assistance		37,193	
Depreciation		4,252	
Total expenditures - to Exhibit B			
Unrestricted, Forestry Grant and Chapter 251		\$ 572,981	

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

MERCER COUNTY SOIL CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Federal/ State Grantor Program Title	Federal CFDA Number	Program Award Amount	Grant Period	June 30, 2015		Revenue/ Receipts	Expenditures	Adjustment	June 30, 2016	
				Accounts Receivable	Unearned Revenue				Accounts Receivable	Unearned Revenue
US Department of Agriculture										
In-Kind Contribution	N/A	\$ 201,088	2015-2016	\$	\$	\$ 201,088	\$ (201,088)	\$	\$	\$
EFRP: Hurricane Sandy Emergency Forestry Restoration Program	13-DG- 11420004-177	94,000	8/4/13-6/30/17	(5,057)		4,462	(3,697)	595	(3,697)	
Fire Adapted Communities Program	10.664	21,000	7/1/15-6/30/16		16,617					16,617
USDA Watershed Program - Dam Assessment Program	10.916	40,000	7/1/15-6/30/16		20,000	20,000	(40,000)			
US Department of Environmental Protection:										
Firewise Grant	10-664		2003-2014		4,119			(4,119)		
Totals				\$ (5,057)	\$ 40,736	\$ 225,550	\$ (244,785)	\$ (3,524)	\$ (3,697)	\$ 16,617

MERCER COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016

State Grantor Program Title	Grant Number	Program Award Amount	Grant Period	June 30, 2015		Revenue/ Receipts	Expenditures	June 30, 2016	
				Accounts Receivable	Unearned Revenue			Accounts Receivable	Unearned Revenue
State of New Jersey Dept. of Agriculture: In-Kind Contribution	N/A	39,000	2015-2016	\$	\$	\$ 39,000	\$ (39,000)	\$	\$
Division of Watershed Management	66.460	21,400	7/1/15-6/30/16			13,850	(21,400)	(7,550)	
		18,600	7/1/14-6/30/15	(8,050)		8,050			
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	179,756	2005-2016	(24,916)	21,492	48,867	(37,193)	(13,242)	21,492
				<u>\$ (32,966)</u>	<u>\$ 26,564</u>	<u>\$ 109,767</u>	<u>\$ (97,593)</u>	<u>\$ (20,792)</u>	<u>\$ 26,564</u>

MERCER COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2016

COMMENTS

Administrative Practices and Procedures

Purchases shall be in conformance with the State Public Contracts Law for securing formal bids on purchases in excess of \$17,500 and on Quotations 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 revised **Financial Accounting Manual for New Jersey Soil Conservation Districts**, various internal controls must be in place and followed, in order to demonstrate that an appropriate control environment exists over disbursements by check. For example, checks issued in excess of \$1,000 must have two signatures. No exceptions were noted.

The Internal Revenue Service regulations require that Form 1099-M be filed for each unincorporated person to whom at least \$600 for services was paid. No exceptions were noted.

Financial Planning, Accounting and Reporting

In August 2015, a revised **Financial Accounting Manual for New Jersey Soil Conservation Districts** was adopted by the NJ State Soil Committee, which contained a new uniform budget format. The 2015-16 District budget was presented in the format prescribed by the revised financial accounting manual.

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, 2016

RECOMMENDATIONS:

None.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

None.

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.