

**MERCER COUNTY SOIL
CONSERVATION DISTRICT**

Mercer County, New Jersey

REPORT OF AUDIT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

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MERCER COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2018

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
W. Scott Ellis	District Chairman	6/30/21
Gary Mount	District Vice Chairperson	6/30/20
Edward J. DiPolvere	District Treasurer	6/30/21
Lucia Stout Huebner	Supervisor	6/30/20
Theodora Wang	Supervisor	6/30/19

Administrative Officials

Paul Schiariti	District Manager
Linda Sandusky	Office Administrator

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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August 16, 2018

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Supervisors:

Report on Financial Statements

We have audited the accompanying financial statements of the Mercer County Soil Conservation District as of June 30, 2018 and the related statements of activities and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the 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, 2018 and 2017, 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, 2018, 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 2017 financial statements, and our report dated August 7, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mercer County Soil Conservation District's financial statements as a whole. The accompanying supplementary information listed in the foregoing table of contents, is presented for the purposes of additional analysis as required by the New Jersey Department of Agriculture's Financial Accounting Manual in accordance with those standards regarding the statement of budget versus actual revenue and expenditures - all funds combined and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the statement of budget versus actual revenue and expenditures is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Information

The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not required by the New Jersey Department of Agriculture's Financial Accounting Manual and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated August 16, 2018 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** in considering Mercer County Soil Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

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

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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August 16, 2018

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

To the Board of Supervisors:

We have audited the financial statements of the Mercer County Soil Conservation District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mercer County Soil Conservation District's basic financial statements and have issued our report thereon dated August 16, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with such provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

Purpose of this Report

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

This report is intended for the information of the 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

SCHEDULES

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2018 and 2017

	Temporarily Restricted					Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	Agricultural Assistance Program	Grant Fund	June 30, 2018	June 30, 2017
<u>ASSETS</u>							
Current Assets:							
Cash - Operating Funds	\$ 82,435	\$ 492,635	\$	\$ 2,715	\$	\$ 577,785	\$ 507,019
Savings and Investments				940,107		940,107	927,890
Interfund Receivable	22,983					22,983	1,028
Prepaid Expenses		863				863	1,528
Federal Awards Receivable					22,983	22,983	1,028
State Awards Receivable							7,150
Accounts Receivable		4,800				4,800	2,382
Total Current Assets	105,418	498,298		942,822	22,983	1,569,521	1,448,025
Fixed Assets:							
Vehicles			59,462			59,462	59,462
Office Furniture and Equipment			39,164			39,164	27,341
Leasehold Improvements			84,352			84,352	84,352
			182,978			182,978	171,155
Less: Accumulated Depreciation			137,277			137,277	132,079
Total Fixed Assets - Net of			45,701			45,701	39,076
Total Assets	\$ 105,418	\$ 498,298	\$ 45,701	\$ 942,822	\$ 22,983	\$ 1,615,222	\$ 1,487,101

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

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2018 and 2017

	Temporarily Restricted					Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	Agricultural Assistance Program	Grant Fund	June 30, 2018	June 30, 2017
<u>LIABILITIES, NET POSITION AND RESERVES</u>							
Current Liabilities:							
Accounts Payable	\$	\$ 18,034	\$	\$	\$	\$ 18,034	\$ 7,651
Accrued Payroll and Payroll Taxes		5,978				5,978	5,834
Interfund Payable					22,983	22,983	1,028
Reserve - Agricultural Assistance Program				942,822		942,822	951,945
State Application Fee Payable		1,250				1,250	950
Total Current Liabilities		25,262		942,822	22,983	991,067	967,408
<u>NET POSITION AND RESERVES:</u>							
Temporarily restricted Net Position and Reserves:							
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 3)		473,036				473,036	376,354
Reserve for Future Legal Costs (Note 4)	12,000					12,000	12,000
Investment in Fixed Assets			45,701			45,701	39,076
Unrestricted Net Position	93,418					93,418	92,263
Total Net Position and Reserves	105,418	473,036	45,701			624,155	519,693
Total Liabilities, Net Position and Reserves	\$ 105,418	\$ 498,298	\$ 45,701	\$ 942,822	\$ 22,983	\$ 1,615,222	\$ 1,487,101

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

EXHIBIT B

(1)

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted			Totals for the Period Ended	
		Chapter 251	Equipment	Grant Fund	June 30, 2018	June 30, 2017
Support and Revenue						
Soil Erosion and Sediment Control Act Fees (Net)	\$	\$ 292,631	\$	\$	\$ 292,631	\$ 289,332
Mercer County General Purpose Appropriation	36,000				36,000	36,000
USDA Watershed Program - Dam Assessment (Note 16)				20,000	20,000	
N. J. Conservative Cost Share Program						35,626
Agriculture Assistance Cost Share Program	1,439				1,439	811
Forestry Grant						5,682
Stormwater Discharge Program		20,550			20,550	21,000
NJ Hydraulic and Hydrologic Database (Note 15)						10,032
CWPP-Community Wildfire Protection	12,592			75,788	88,380	10,225
Fire Adapted Communities						16,617
Miscellaneous	2,086				2,086	59
Interest on Savings and Investments	3,669				3,669	1,736
Non-Cash In-Kind; Included as Expenditures Below (Note 2)						211,964
Total Support and Revenue	\$ 55,786	\$ 313,181	\$	\$ 95,788	\$ 464,755	\$ 639,084

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, 2018 AND 2017

	Temporarily Restricted				Totals for the Period Ended	
	Unrestricted	Chapter 251	Equipment	Grant Fund	June 30, 2018	June 30, 2017
Expenditures						
Salaries and Wages	\$	\$ 147,352	\$	\$ 19,927	\$ 167,279	\$ 162,157
Fringe Benefits		34,564			34,564	33,736
FSA EFRP-Forestory Grant						5,682
Dam Assessment				73	73	
CWPP-Community Wildfire Protection				75,788	75,788	21,854
Consultant and Contract Services		8,125			8,125	9,430
Travel and Related Expenses		1,814			1,814	1,306
Utilities		5,272			5,272	5,102
Membership		1,696			1,696	832
Maintenance, Repairs and Supplies		8,113			8,113	4,840
Legal		7,343			7,343	3,820
Service Charges		2,861			2,861	1,959
Training and Meetings		2,368			2,368	1,900
Envirothon		500			500	500
Office Supplies and Expense		3,293			3,293	2,126
Postage		985			985	610
Printing and Stationary						579
Insurance		7,534			7,534	7,379
Contributions and Awards		470			470	620
Pension (Note 10)		20,773			20,773	47,559
Dues						1,070
Depreciation			5,198		5,198	4,253
Non-Cash In-Kind (Note 2)						211,964
Miscellaneous Expense		79			79	297
RFA Permit Fees		6,165			6,165	8,565
Total Expenditures		259,307	5,198	95,788	360,293	538,140
Excess (Deficiency) of Support and Revenue over Expenditures	55,786	53,874	(5,198)		104,462	100,944
Other Transfers	(42,631)	30,808	11,823			
Net Position, Beginning of Year	92,263	388,354	39,076		519,693	418,749
Net Position End of Year (See Exhibit A)	\$ 105,418	\$ 473,036	\$ 45,701	\$	\$ 624,155	\$ 519,693

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

MERCER COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

	Totals for the Period Ended	
	June 30, 2018	June 30, 2017
Cash Flows Provided (Used) by Operating Activities		
(Decrease) in Net Assets for the Year- Per Exhibit B	\$ 104,462	\$ 100,944
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	5,198	4,253
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables	(17,223)	13,929
(Increase) Decrease in Prepaid Expenses	665	461
Increase (Decrease) in Accounts Payable	10,383	5,003
Increase (Decrease) in Accrued Payroll	144	1,705
Increase (Decrease) in Unearned Revenue		(43,181)
Increase (Decrease) in State Application Fee Payable	300	(225)
Increase (Decrease) in Reserve for Agricultural Assistance Program	(9,123)	(17,933)
Net Cash Used by Operating Activities	94,806	64,956
Cash Flows Used by Investing Activities		
Purchase of Fixed Assets	(11,823)	
Net Decrease in Cash for the Year	82,983	64,956
Cash, Beginning of Year	1,434,909	1,369,953
Cash, End of the Year	\$ 1,517,892	\$ 1,434,909
Analysis of Balance:		
Cash	\$ 577,785	
Savings and Interest	940,107	
Total	\$ 1,517,892	

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, 2018 AND 2017

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, 2018, 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, 2018 AND 2017

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, 2018 AND 2017

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 payroll, fringe benefits, travel and per diem expenses, postage, printing, supplies and indirect support, provided by the federal and state governments to assist in the operations of the District. The District is no longer required to report non-cash support in the annual audit under the advisement of the State Soil Conservation Committee.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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.

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures at June 30, 2018 was \$473,036, as compared with \$376,354 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, 2018 AND 2017

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, 2018, the District's bank balance of \$1,519,189, was insured or collateralized as follows:

Insured by FDIC	\$ 680,247
Uninsured and collateralized under GUDPA by pledging financial institutions	838,942
	<u>\$ 1,519,189</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, 2018, the District had \$1,041,647 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, 2018 AND 2017

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

Description of Plans- All required employees of the District are covered by the Public Employees' Retirement System (PERS) which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

The following represents the membership tiers for 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.

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

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.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. **PENSION (CONTINUED)**

Public Employees' Retirement System (Continued)

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS) 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.

Vesting and Benefit Provisions - 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.

Contributions - 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 7.20% through June 30, 2017 and 7.34% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The District's contributions to PERS for the years ended June 30, 2018, and 2017, were \$20,773 and \$47,559 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 year ended June 30, 2018 was \$167,135. Payroll covered by PERS was \$167,240 for fiscal year 2018.

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, 2018 is as follows:

	<u>PERS</u>
Employees	\$ 12,275
District	<u>20,773</u>
Total	\$ <u>33,048</u>

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. PENSION (CONTINUED)

Public Employees' Retirement System (Continued)

Contributions (Continued) - The District is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2018, as follows:

Public Employees Retirement System					
Fiscal Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by District
2018	\$ 2,734	\$ 17,026	\$ 20,773	\$ N/A	\$ 20,773

Components of Net Pension Liability - At June 30, 2018, the District's proportionate share of the PERS net pension liability was \$521,984. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017 was 0.002242% which was a decrease of -0.003111% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2018 PERS pension expense, with respect to GASB 68, was \$(110,217). The District's 2018 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	\$ 12,291	\$
Changes of assumptions	105,162	104,776
Net difference between projected and actual earnings on pension plan investments	3,554	
Changes in proportion	7,231	650,883
Contributions subsequent to the measurement date	20,773	
Total	\$ 149,011	\$ 755,659

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. PENSION (CONTINUED)

Public Employees' Retirement System (Continued)

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:

Year	PERS
2018	\$ (147,219)
2019	(130,218)
2020	(151,571)
2021	(177,172)
2022	(21,241)
Thereafter	
Total	\$ (627,421)

Additional Information-Collective Balances at June 30, 2018 and 2017 are as follows:

Year	6/30/2018	6/30/2017
Collective deferred outflows of resources	\$ 149,011	\$ 476,074
Collective deferred inflows of resources	\$ 755,659	\$ 123,381
Collective Net Pension Liability	\$ 521,984	\$ 1,585,529
District's Proportion	0.002242%	0.005353%

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. PENSION (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued) - Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. PENSION (CONTINUED)

Public Employees' Retirement System (Continued)

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, 2017 are summarized in the following table:

PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

MERCER COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

10. PENSION (CONTINUED)

Public Employees' Retirement System (Continued)

Discount Rate - The discount rate as of June 30, 2017 used to measure the total pension liability was 5.00% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2017, 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 (4%) or 1-percentage-point higher (6%) than the current rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 647,556	\$ 521,984	\$ 417,366

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

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, 2018 AND 2017

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. 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 \$10,145 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 received the remaining portion upon completion of the project.

16. ASSUNPINK CREEK WATERSHED DAM ASSESSMENT

During 2017, the District entered into an agreement with the USDA Natural Resources Conservation Service (NRCS), whereby the District shall provide assistance to rehabilitate Dam #8 located in the Assunpink Creek Watershed. The NRCS has allocated \$20,000 to fund the District's participation in this project. The District completed the project in September 2017.

17. SUBSEQUENT EVENTS

There were no material events between June 30, 2018 and August 16, 2018 affecting the financial status of the Mercer County Soil Conservation District.

MERCER COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL REVENUE
AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget After Transfers	Actual	Under/(Over) Budget
<u>Support & Revenue</u>			
Dam Assessment Grant	\$ 20,000	\$ 20,000	\$
OPRA	10	64	(54)
County Grant	36,000	36,000	
RFA Permits	20,000	20,550	(550)
Chapter 251 Fees	300,000	292,631	7,369
Miscellaneous Revenue	100	2,022	(1,922)
Interest Income	7,500	3,669	3,831
AG Assistance Cost Share	800	1,439	(639)
CWPP Income	80,000	88,380	(8,380)
Total Per Exhibit B(1)	\$ 464,410	464,755	\$ (345)
Total Support & Revenue		\$ 464,755	
<u>Expenditures</u>			
Salaries and Wages	\$ 167,000	\$ 167,279	\$ (279)
Fringe Benefits	65,000	52,720	12,280
Dental Insurance	4,500	2,617	1,883
Contract Services	9,400	8,125	1,275
Travel and Related Expenses	1,300	1,659	(359)
Vehicle Registration	160	155	5
Utilities	5,000	5,272	(272)
Membership	800	1,696	(896)
Maintenance and Repairs	4,600	8,113	(3,513)
Legal	5,000	7,343	(2,343)
Service Charges	2,200	2,861	(661)
Training and Meetings	2,000	2,368	(368)
Envirothon	500	500	
Office Supplies and Expenses	2,500	3,293	(793)
Office Equipment	6,000		6,000
Postage	700	985	(285)
Printing and Stationary	575		575
Insurance	7,500	7,534	(34)
Awards	130	70	60
Dues	1,070		1,070
Miscellaneous Expense	300	152	148
Contributions	500	400	100
CWPP Expense	80,000	75,788	4,212
RFA Permit Fees	6,000	6,165	(165)
Totals	\$ 372,735	355,095	\$ 17,640
Adjustments:			
Depreciation		5,198	
Total Expenditures - to Exhibit B			
Unrestricted, Grant and Chapter 251		\$ 360,293	

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

SCHEDULE 2

MERCER COUNTY SOIL CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal/ State Grantor Program Title	Federal CFDA Number	Program Award Amount	Grant Period	June 30, 2017		Revenue/ Receipts	Expenditures	June 30, 2018	
				Accounts Receivable	Unearned Revenue			Accounts Receivable	Unearned Revenue
US Department of Agriculture Forestry Service CWPP Cooperative Forestry Assistance P Phase II	10.664	120,000	7/1/17-6/30/18	\$	\$	\$ 44,687	\$ (44,687)	\$	
Forestry Service CWPP Cooperative Forestry Assistance P Phase III	10.664	90,000	7/1/17-7/31/18			8,118	(31,101)	(22,983)	
EFRP: Hurricane Sandy Emergency Forestry Restoration Program	13-DG- 11420004-177	94,000	8/4/13-6/30/17	(1,028)		1,028			
USDA Watershed Program - Dam Assessment Program Assunpink Creek Watershed Dam #8	10.916	20,000	6/30/16-9/30/17			20,000	(20,000)		
Totals				\$ (1,028)	\$	\$ 73,833	\$ (95,788)	\$ (22,983)	\$

MERCER COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2018

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.

Revenues and receipts were properly recorded within the District's accounting records.

The District made deposits within the required 5 business days.

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.

Purchases were made with the proper authorizations.

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 2017-18 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, 2018

The Chapter 251 Reserve Fund Balance shall be evaluated annually by the District Board to determine its adequacy based on the Chapter 251 workload obligations remaining to be completed. Districts have the ability to assess additional fees beyond the initial fees received following the exhaustion of the original fees received. Once the district is able to determine the amount of money on hand for each individual file a total will be calculated at the end of each fiscal year during the audit. This total amount of all funds for each 251 project will determine the reserve needed by each district. The district should have as a target at the end of each fiscal year of having close to 100% of the restricted reserves for 251 projects to complete those projects still active. Anything less than 110% for this purpose serves as a warning that reserves may not be sufficient to complete projects as additional fees for projects may not be collected or additional inspections are needed requiring additional funds. The District has met the 110% reserve requirement.

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.