

**CUMBERLAND-SALEM  
CONSERVATION DISTRICT**

**Deerfield, New Jersey**

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**REPORT OF AUDIT  
FOR THE YEAR ENDED JUNE 30, 2014**

**Report dated September 15, 2014**

## CONTENTS

	<u>Page</u>
Roster of Officials	1
Independent Auditor's Report	2 - 4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	5 - 6
Exhibits	
A Combined Balance Sheet	7 - 8
B Comparative Statement of Support, Revenue and Expenditures and Changes in Fund Balance	9 - 10
C Comparative Statement of Cash Flows	11
Notes to Financial Statements	12 - 16
D Statement of Budget versus Actual Expenditures	17
Schedules	
1 Schedule of Expenditures of Federal Awards	18
2 Schedule of Expenditures of State Financial Assistance	19
3 Schedule of Findings and Questioned Costs	N/A
Internal Control Comments	20
Comments and Recommendations	21 - 22

**CUMBERLAND-SALEM CONSERVATION DISTRICT**

**ROSTER OF OFFICIALS**

**JUNE 30, 2014**

**DISTRICT BOARD OF SUPERVISORS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Thomas	Chairman	June 30, 2017
Ralph Sickler	Vice Chairman	June 30, 2015
A. Torrey Reade	Supervisor	June 30, 2015
Henry Dubois	Supervisor	June 30, 2017

**ADMINISTRATIVE OFFICIALS**

Michael J. Bonham	District Manager
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# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
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September 15, 2014

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Cumberland/Salem Soil Conservation District  
1516 Route 77, P.O. Box 68  
Deerfield, New Jersey 08313

Gentlemen:

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Cumberland Salem Conservation District as of June 30, 2014 and the related statements of activities and changes in net position and of cash flows for the year then ended, which collectively comprise the Cumberland Salem Conservation District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Cumberland Salem Conservation District's 2014 financial statements and in our report dated August 16, 2013, we expressed unmodified opinions on the respective financial statements of financial position, activities and changes in net position and cash flows. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and the audit requirements prescribed by the Department of Agriculture's Manual, as required by the New Jersey State Soil Conservation Committee. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cumberland Salem Conservation District as of June 30, 2014, and the changes in net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America and requirements prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey.

### **New Accounting Standards**

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2014, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB); Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### **Other Information**

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

The accompanying supplementary schedules of expenditures of budget versus actual expenditures and schedule of expenditures of federal awards and state assistance are presented for purposes of additional analysis as required by the State of New Jersey, Department of Agriculture, and State Soil Conservation Committee. These schedules were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued a report dated September 15, 2014 on our consideration of the Cumberland Salem Conservation District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

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

# NIGHTLINGER, COLAVITA & VOLPA

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September 15, 2014

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors  
Cumberland/Salem Soil Conservation District  
1516 Route 77 P.O. Box 68  
Deerfield, New Jersey 08313

Gentlemen:

We have audited the financial statements of the Cumberland Salem Soil Conservation District as of and for the year ended June 30, 2014, and have issued our report thereon dated September 15, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

This report is intended for the information of the Cumberland Salem Conservation District, the funding sources of the Cumberland Salem 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



**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**COMBINED BALANCE SHEET**  
**JUNE 30, 2014 and 2013**

	Unrestricted Funds	Chapter 251	Temporarily Restricted Equipment Fund	Building Fund	NJ Hydrologic Database	Totals for the Year Ended June 30	
						2014	2013
<b><u>ASSETS</u></b>							
Current Assets:							
Cash							
Operating Funds	\$	\$ 346,114.89	\$	\$	\$	\$ 346,114.89	\$ 340,966.58
Savings and Investments	166,875.15	76,826.55	35.71	71,378.04	7,583.00	322,698.45	368,485.14
Accounts Receivable							
Stormwater Fees Receivable	2,300.00					2,300.00	1,250.00
Camden County	15,000.00					15,000.00	
Prepaid Insurance		811.89				811.89	764.74
Total Current Assets	184,175.15	423,753.33	35.71	71,378.04	7,583.00	686,925.23	711,466.46
Fixed Assets							
Office Furniture and Equipment			92,529.78			92,529.78	67,821.78
Land				52,289.87		52,289.87	52,289.87
Building				60,280.92		60,280.92	60,280.92
Improvements and Renovations				64,874.32		64,874.32	64,874.32
Total Fixed Assets			92,529.78	177,445.11		269,974.89	245,266.89
Less: Accumulated Depreciation			71,116.18	97,183.96		168,300.14	161,452.97
Total Fixed Assets - Net of Depreciation			21,413.60	80,261.15		101,674.75	83,813.92
Total Assets	\$ 184,175.15	\$ 423,753.33	\$ 21,449.31	\$ 151,639.19	\$ 7,583.00	\$ 788,599.98	\$ 795,280.38

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**COMBINED BALANCE SHEET**  
**JUNE 30, 2014 and 2013**

	Unrestricted Funds	Chapter 251	Temporarily Restricted Equipment Fund	Building Fund	NJ Hydrologic Database	Totals for the Year Ended June 30	
						2014	2013
<b><u>LIABILITIES , NET POSITION AND RESERVES</u></b>							
Current Liabilities:							
Accounts Payable	\$	\$ 3,190.96	\$	\$	\$	\$ 3,190.96	\$ 1,458.45
Due State of NJ Application Fee		1,025.00				1,025.00	725.00
Due RFA Reimbursement Fee	690.00					690.00	375.00
Accruals:							
Payroll		1,117.64				1,117.64	1,017.13
Payroll taxes		339.85				339.85	309.29
Unearned Revenue					7,583.00	7,583.00	7,583.00
Total Current Liabilities	690.00	5,673.45			7,583.00	13,946.45	11,467.87
<b>NET POSITION AND RESERVES</b>							
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (See Note 4)		87,512.10				87,512.10	117,404.00
Reserve for Future Legal Costs (See Note 5)		13,018.97				13,018.97	18,137.00
Reserve for Compensated Absences (See Note 8)		25,164.00				25,164.00	25,164.00
Fund Balances - Per Exhibit B	183,485.15	292,384.81	21,449.31	151,639.19		648,958.46	623,107.51
Total Net Position and Reserves	183,485.15	418,079.88	21,449.31	151,639.19		774,653.53	783,812.51
Total Liabilities, Net Position and Reserves	\$ 184,175.15	\$ 423,753.33	\$ 21,449.31	\$ 151,639.19	\$ 7,583.00	\$ 788,599.98	\$ 795,280.38

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE**  
**JUNE 30, 2014 and 2013**

	Unrestricted Funds	Temporarily Restricted			Totals for the Year Ended June 30	
		Chapter 251	Equipment Fund	Building Fund	2014	2013
Support and Revenue						
Soil Erosion and Sediment						
Control Act Fees	\$	\$ 104,249.00	\$	\$	\$ 104,249.00	\$ 171,805.00
State Stormwater Fees	6,115.00				6,115.00	5,320.00
Cumberland County	15,000.00				15,000.00	15,000.00
Interest on Investments	1,166.73	1,822.60	1.08	992.37	3,982.78	4,720.63
Non-Cash In-Kind - Included as						
Expenditures Below						
Federal		473,584.00			473,584.00	473,219.00
State		47,388.00			47,388.00	46,867.00
Total Support and Revenue	22,281.73	627,043.60	1.08	992.37	650,318.78	716,931.63
Expenditures						
Salaries and Wages		349,873.04			349,873.04	355,055.06
Fringe Benefits		95,101.31			95,101.31	92,822.36
Payroll Taxes		6,866.38			6,866.38	7,326.64
Legal and Professional Fees		18,891.33			18,891.33	3,865.00
Administrative Overhead - In-Kind		47,388.00			47,388.00	46,867.00
Meeting Expenses		1,237.71			1,237.71	991.22

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE**  
**JUNE 30, 2014 and 2013**

	Temporarily Restricted				Totals for the	
	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	Year Ended June 30	
					2014	2013
Expenditures (continued)						
Utilities	\$	\$ 3,754.01	\$	\$	\$ 3,754.01	\$ 2,439.38
Vehicle Expenses		4,148.52			4,148.52	2,096.13
Office Supplies and Expenses		2,835.08			2,835.08	1,983.05
Telephone		2,161.57			2,161.57	2,173.60
Insurance		4,660.85			4,660.85	4,890.03
Dues and Donations		1,845.00			1,845.00	1,521.00
Cleaning and Lawn Care		3,110.09			3,110.09	1,641.83
Pension Expense		9,318.70			9,318.70	7,978.00
In-Kind Rental		101,439.00			101,439.00	101,391.00
Depreciation			3,427.97	3,419.20	6,847.17	4,373.65
Total Expenditures		652,630.59	3,427.97	3,419.20	659,477.76	637,414.95
Excess (Deficiency) of Support and Revenues Over Expenditures	22,281.73	(25,586.99)	(3,426.89)	(2,426.83)	(9,158.98)	79,516.68
Non-Operating Sources and Uses:						
Increase in Reserves:						
Future Soil Erosion and Sediment Control Act Expenditures		29,891.90			29,891.90	(2,543.50)
Future Legal Costs		5,118.03			5,118.03	105.33
Transfers	(24,708.00)		24,708.00			
Fund Balances, July 1, 2013	185,911.42	282,961.87	168.20	154,066.02	623,107.51	546,029.00
Fund Balances, June 30, 2014 to Exhibit A	\$ 183,485.15	\$ 292,384.81	\$ 21,449.31	\$ 151,639.19	\$ 648,958.46	\$ 623,107.51

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2014 and 2013**

	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	NJ Hydrologic Database	Totals for the Year Ended June 30	
						2014	2013
<b><u>Cash Flow from Operating Activities</u></b>							
Excess (deficiency) of Support and Revenues Over Expenditures	\$ 22,281.73	\$ (25,586.99)	\$ (3,426.89)	\$ (2,426.83)	\$	(9,158.98)	\$ 79,516.68
Adjustments to Reconcile Excess (deficiency) of Support and Revenue Over Expenditures to Net Cash Provided by Operating Activities:							
Non-cash Items Included in Income:							
Depreciation			3,427.97	3,419.20		6,847.17	4,373.65
Increase (decrease) in Reserve for Future Soil Erosion and Sediment Control Expenditures, Future Legal Costs and Compensated Absences							2,576.24
Transfers	(24,708.00)		24,708.00				
Changes in Assets and Liabilities:							
(Increase)/Decrease in Accounts Receivable	(16,050.00)					(16,050.00)	3,765.00
(Increase)/Decrease in Prepaid Insurance		(47.15)				(47.15)	62.76
(Decrease)/Increase in Accounts Payable	315.00	1,732.51				2,047.51	768.39
(Decrease)/Increase in Due State of NJ Application Fees		300.00				300.00	725.00
(Decrease)/Increase in Accrued Payroll		100.51				100.51	140.96
(Decrease)/Increase in Accrued Payroll Taxes		30.56				30.56	75.79
(Decrease)/Increase in Unearned Revenue							7,583.00
Cash Provided From Operations	(18,161.27)	(23,470.56)	24,709.08	992.37		(15,930.38)	99,587.47
<b><u>Cash Flow from Investing Activities</u></b>							
Acquisition of Fixed Assets			(24,708.00)				
Net Increase (Decrease) in Cash	(18,161.27)	(23,470.56)	1.08	992.37		(40,638.38)	99,587.47
Cash and Cash Equivalents - 7/1/13	185,036.42	446,412.00	34.63	70,385.67	7,583.00	709,451.72	609,864.25
Cash and Cash Equivalents - 6/30/14	\$ 166,875.15	\$ 422,941.44	\$ 35.71	\$ 71,378.04	\$ 7,583.00	\$ 668,813.34	\$ 709,451.72

**Analysis of Balance:**

Cash	\$ 346,114.89
Savings and Investments	322,698.45
	<u>\$ 668,813.34</u>

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Cumberland-Salem 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 District works 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 impact to soil resources, and enhance soil quality.

**Accounting System**

The accounting policies of the Cumberland-Salem Conservation District (the District) conform to accounting principles generally accepted in the United States of America and practices prescribed by the State of New Jersey, Department of Agriculture, State Soil Conservation Committee.

**Financial Statement Presentation**

The District is required to report information regarding its financial position and activities according to three classes of assets, which are Unrestricted Net Position, Temporarily Restricted Net Position and Permanently Restricted Net Position. Unrestricted Net Position can be expended by the District for any aspect of its operations and at any time, as determined by management. Temporarily Restricted Net Position are either restricted as to a specific program, a specific time period or both, but will eventually be expended by the District. Permanently Restricted Net Position can never be expended, but benefit the District through investment earnings on such assets. As of June 30, 2014, the District had only Unrestricted and Temporarily Restricted Net Position.

**Fund Accounting**

The accounts of the District are 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, fund balance, support, revenue and expenditures. Fixed asset purchases are recorded in the fund of acquisition with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the statement of assets, liabilities, net position and reserves of the equipment fund.

**Basis of Accounting**

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets as listed below:

Equipment	5 years
Building and Improvements	40 years

A truck was purchased during the year under audit in the amount of \$24,708.

**Amortization of Financing Costs**

Financing costs would be amortized using the straight-line method over the term of the loan. The District currently has no loans.

**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 and liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

**Concentration of Credit Risks**

Cash consists of demand deposits and temporary investments in the form of certificates of deposit held at financial institutions. At times, amounts on deposit exceed federally insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible. As of June 30, 2014, \$469,380.41 of the districts bank balance of \$617,690.99 was exposed to custodial risk.

**New Accounting Standards**

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

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

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**NOTE 2. NON-CASH SUPPORT**

Federal and state non-cash support consists of payroll, fringe benefits, travel, office supplies and administrative overhead provided by outside governmental sources to assist in the operations of the District, as follows:

			Totals for the Year Ended June 30	
	Federal	State	2014	2013
Salaries and wages	\$ 284,536.00	\$	\$ 284,536.00	\$ 287,935.00
Fringe benefits	87,609.00		87,609.00	83,893.00
Administrative overhead		47,388.00	47,388.00	46,867.00
Rent and Office Expense	101,439.00		101,439.00	101,391.00
Total	\$ 473,584.00	\$ 47,388.00	\$ 520,972.00	\$ 520,086.00

**NOTE 3. FRINGE BENEFITS**

Eligible employees are covered by the State of New Jersey Public Employees Retirement System. The total pension expense for the years ended June 30, 2014 and 2013 was \$9,318.70 and \$7,978.00, respectively.

**NOTE 4. RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL EXPENDITURES**

The Reserve for Future Soil Erosion and Sediment Control Act expenditures is established to account for estimated related costs of future expenditures for projects currently in progress, for which fees under the Act have previously been collected. The current balance of the reserve is calculated by multiplying the certification fees collected during the current and two preceding years by the following percentages:

Chapter 251 Fees Collected to	
June 30, 2012: \$114,515.00 x 10% =	\$ 11,451.50
June 30, 2013: \$171,805.00 x 20% =	34,361.00
June 30, 2014: \$104,249.00 x 40% =	41,699.60
	\$ 87,512.10

Notes to Financial Statements Continued



**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**NOTE 5. RESERVE FOR FUTURE LEGAL COSTS**

The reserve for future legal costs provides the District with funds necessary to pay for future legal costs incurred as a result of current Chapter 251 operations. The balance in this reserve account has been calculated by providing 10% of the average of the Chapter 251 fees received for the last three years, but not more than \$40,000.00.

The calculation of this reserve is as follows:

Chapter 251 Fees Collected to	
June 30, 2012	\$ 114,515.00
June 30, 2013	171,805.00
June 30, 2014	104,249.00
Total	\$ 390,569.00
<u>Divided by 3</u>	
Average Chapter 251 Fees Collected	\$ 130,189.67
<u>Times 10%</u>	
Reserve Balance June 30, 2014	\$ 13,018.97 *

\* Not to exceed \$40,000.00

**NOTE 6. CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Cumberland-Salem Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**NOTE 7. CONTINGENT LIABILITIES**

Per confirmation by the Cumberland-Salem Conservation District's legal counsel, there are no pending litigation, claims, assessments, unasserted claims or contingent liabilities against the District.

**NOTE 8. RESERVE FOR COMPENSATED ABSENCES**

The District has permitted qualifying employees to accrue unused sick pay. The amount paid to the employee is computed using the respective employee's salary rate at the time the disbursement is made. The total accumulated sick pay obligation at June 30, 2014 is \$25,164.

**NOTE 9. LEASES**

The District had no leases as of June 30, 2014.

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**  
**(CONTINUED)**

**NOTE 10. FIXED ASSETS**

On May 5, 2014, the Cumberland-Salem Conservation District purchased a 2014 Ford Explorer for \$24,708 that was placed in service on June 12, 2014 and depreciated over a 5 year life.

**NOTE 11. SURETY BOND COVERAGE**

The Cumberland-Salem Conservation District has a public officials liability bond with coverage of \$70,000.00.

**NOTE 12. REQUEST FOR AUTHORIZATION**

All stormwater discharge associated with construction activity within the State of New Jersey incurs a fee payable to "Treasurer - State of New Jersey". A portion the fees 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.

**NOTE 13. 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 \$15,165 to fund the District's participation in this project. The District received the first half of these funds, totaling \$7,583, during the 2012-13 fiscal year and will receive the remaining portion upon completion of the project.

**NOTE 14. SUBSEQUENT EVENTS**

Per confirmation by the Cumberland-Salem 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.

**NOTE 15. UNEARNED REVENUE**

Unearned Revenue represents restricted revenue that has been received but not yet earned. District Management reviews the status of Unearned Revenue on an ongoing basis.

End of Notes to Financial Statements

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Expenditures</u>	General		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Wages	\$ 70,000.00	\$ 65,337.04	\$ 4,662.96
Fringe Benefits	10,000.00	7,492.31	2,507.69
Pension	9,000.00	9,318.70	(318.70)
Payroll Taxes	8,000.00	6,866.38	1,133.62
Legal and Professional	30,600.00	18,891.33	11,708.67
Meeting Expenses	2,100.00	1,237.71	862.29
Office Expenses/Supplies	3,100.00	2,835.08	264.92
Telephone	2,300.00	2,161.57	138.43
Insurance	5,145.00	4,660.85	484.15
Vehicle	29,300.00	4,148.52	25,151.48
Dues and Donations	2,000.00	1,845.00	155.00
Maintenance and Repairs - Building	4,700.00	3,110.09	1,589.91
Utilities	3,100.00	3,754.01	(654.01)
Depreciation		6,847.17	(6,847.17)
	<u>\$ 179,345.00</u>	<u>138,505.76</u>	<u>\$ 40,839.24</u>
Less: Capital Expenditures			
In-Kind Support		<u>520,972.00</u>	
Total Expenditures - to Exhibit B		<u>\$ 659,477.76</u>	

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

## **SCHEDULES**

SCHEDULE 1

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass-Through Program Title	Federal CFDA Number	Grant Period		Balance June 30, 2013	Receipts or Revenue Realized	Cash Received (Memo Only)	Expenditures	Adjust	Repayment of Prior Year Balances	Balance June 30, 2014		
		From	To							(Accounts Receivable)	Unearned Revenue	Due Grantor
Department of Environmental Protection: US Department of Agriculture In-Kind Contribution	12-902	7/1/2013	6/30/2014	\$	\$ 473,584	\$	\$ (473,584)	\$	\$	\$	\$	\$
				\$	\$ 473,584	\$	\$ (473,584)	\$	\$	\$	\$	\$

The Cumberland Salem Soil Conservation District is not subject to federal or state single audit requirements.

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

SCHEDULE 2

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

State Funding Department	State Program	GMIS Number	Grant Award Amount	From	To	June 30, 2013 Accounts Receivable	June 30, 2013 Unearned Revenue	Receipts or Revenue Recognized	Expenditures	June 30, 2014 Accounts Receivable	June 30, 2014 Unearned Revenue
Department of Agriculture - State Soil Conservation Committee	In-Kind Contribution	N/A	\$ 47,388.00	7/1/13	6/30/14	\$	\$	\$ 47,388.00	\$ (47,388.00)	\$	\$
Department of Agriculture - State Soil Conservation Committee	Stormwater Discharge Permit Program - RFA Fees	3300-100-010- 3330-058- CCCC-6120	6,115.00	7/1/13	6/30/14	(1,250.00)		5,065.00	(6,115.00)	(2,300.00)	
Department of Agriculture - State Soil Conservation Committee	Hydraulic and Hydrologic Database for Stormwater Management Basins	SSCC-251-HDF1	15,165.00	7/24/13	6/30/14		7,583.00				7,583.00
Total						\$ (1,250.00)	\$ 7,583.00	\$ 52,453.00	\$ (53,503.00)	\$ (2,300.00)	\$ 7,583.00

Therefore, because the Cumberland-Salem Conservation District expended less than \$500,000.00 in federal and state assistance, it is not subject to federal or state single audit requirements.

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**INTERNAL CONTROL COMMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**INTERNAL CONTROL COMMENTS**

Good internal controls represent sound business practices and provide important safeguards for the Districts operations. While it is recognized that the Board of Supervisors has adopted various policies in the past, internal control could be enhanced with an ongoing review of changes in business operations and the business environment.

**Use of District Credit Card**

It is recognized that internet purchasing can be the most direct way to purchase an item and that off-line payment is not always an option offered by the vendor. To address this issue, the Board adopted a credit card policy and continues to be in compliance with its directives.

**Independent Contractor versus Employee Status**

The Internal Revenue Service has specific guidelines regarding independent contractor versus employee status. If an employee is classified or indirectly paid as a subcontractor and there is no reasonable basis for doing so, the District may be liable for employment taxes and other IRS assessments. If the District chooses to engage employees for additional subcontracting work, the specific compensation details (e.g. hourly rate, work to be performed, etc.) should be approved and outlined in the minutes.

**Business Registration**

Internal Revenue Service regulations required that Form 1099-Miscellaneous be filed for each unincorporated person to whom at least \$600 for services was paid. Our audit examination revealed compliance with these regulations.

New Jersey requires that all business organizations that do business with a local agency and that receive payment from the District equal to or more than the quote threshold be registered with the State of New Jersey and provide proof of that registration to the contracting agency. Therefore, the practice of obtaining such registrations should be part of the District's internal control policies.

**Conflict of Interest Policy**

Federal and state requirements regarding conflict of interest and ethics compliance are varied. The District has familiarized itself with these requirements and has taken appropriate measures to adhere to them.

**Surety Bond Coverage**

During fiscal year 2014, the District was covered by a \$70,000 public officials liability policy.

**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**COMMENTS**

**Administrative Practices and Procedures**

Quotations are required to be sought for purchases over \$2,625, where it is possible to solicit more than one quote. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District's 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. As a result of our audit, no exceptions were noted.

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

The District was in compliance with the **Financial Accounting Manual for New Jersey Soil Conservation Districts**, which states that all checks of \$1,000 or more must have two signatures, at least one of which shall be the District Chairman or Treasurer.

The District's surety bond coverage appears to be in accordance with the minimum requirements noted in the **Financial Accounting Manual for New Jersey Soil Conservation Districts**.

**Financial Planning, Accounting and Reporting**

Revenues and receipts appear to be recorded properly and deposited on a timely basis.

Bank statements are reconciled monthly. Sources of revenues and receipts are able to be traced to files.

The District's payroll reports appear to be filed on a timely basis, and the amounts withheld as payroll deductions appear to be remitted properly.

Expenditures are to be evidenced by adequate supporting documentation, including notation of date of payment and check number. No exceptions were noted with regard to expenditure documentation.



**CUMBERLAND-SALEM CONSERVATION DISTRICT**  
**COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**RECOMMENDATIONS**

None

**Status of Prior Year Recommendations**

There were no prior year recommendations.

**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 hesitate to call us.