

**CUMBERLAND-SALEM SOIL
CONSERVATION DISTRICT**

Deerfield, New Jersey

**REPORT OF AUDIT
FOR THE YEAR ENDED JUNE 30, 2017**

Report dated September 26, 2017

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CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2017

DISTRICT BOARD OF SUPERVISORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Thomas	Chairman	June 30, 2020
Ralph Sickler	Vice Chairman	June 30, 2018
Maurice Sheets	Supervisor	June 30, 2018
Henry Dubois	Supervisor	June 30, 2020

ADMINISTRATIVE OFFICIALS

Michael J. Bonham	District Manager
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NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association
Certified Public Accountants*

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September 26, 2017

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Supervisors:

Report on Financial Statements

We have audited the accompanying financial statements of the Cumberland Salem Soil Conservation District as of June 30, 2017 and the related statements of activities and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Cumberland Salem 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 Cumberland Salem Soil Conservation District, as of June 30, 2017 and 2016, or the results of its operations and changes in net position for the years then ended.

Opinion on Statutory Basis of Accounting

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

Report on Summarized Comparative Information

We have previously audited Cumberland Salem Soil Conservation District's 2016 financial statements, and our report dated September 8, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated September 26, 2017 on our consideration of the Cumberland Salem 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 Cumberland Salem 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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September 26, 2017

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

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

To the Board of Supervisors:

We have audited the financial statements of the Cumberland Salem Soil Conservation District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cumberland Salem Soil Conservation District's basic financial statements and have issued our report thereon dated September 26, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; audit requirements 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 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**.

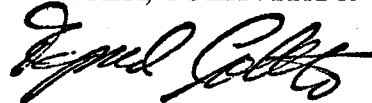
Purpose of this Report

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 Cumberland Salem Soil Conservation District, the funding sources of the Cumberland Salem 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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEET
JUNE 30, 2017 and 2016

	Unrestricted Funds	Temporarily Restricted Chapter 251	Equipment Fund	Building Fund	Totals for the Year Ended June 30	
					2017	2016
ASSETS						
Current Assets:						
Cash						
Operating Funds	\$	\$ 282,236	\$	\$	\$ 282,236	\$ 195,969
Savings and Investments	292,589	67,793	36	73,562	433,980	503,748
Accounts Receivable						
Stormwater Fees Receivable	2,300				2,300	875
Prepaid Insurance		1,011			1,011	996
Total Current Assets	294,889	351,040	36	73,562	719,527	701,588
Fixed Assets						
Office Furniture and Equipment			92,530		92,530	92,530
Land				52,290	52,290	52,290
Building				60,281	60,281	60,281
Improvements and Renovations				64,874	64,874	64,874
Total Fixed Assets			92,530	177,445	269,975	269,975
Less: Accumulated Depreciation			81,705	105,793	187,498	181,099
Total Fixed Assets - Net of Depreciation			10,825	71,652	82,477	88,876
Total Assets	\$ 294,889	\$ 351,040	\$ 10,861	\$ 145,214	\$ 802,004	\$ 790,464

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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEET
JUNE 30, 2017 and 2016

	Unrestricted Funds	Temporarily Restricted Chapter 251	Equipment Fund	Building Fund	Totals for the Year Ended June 30	
					2017	2016
LIABILITIES, NET POSITION AND RESERVES						
Current Liabilities:						
Accounts Payable	\$	\$ 2,077	\$	\$	\$ 2,077	\$ 1,921
Due State of NJ Application Fee						725
Due RFA Reimbursement Fee		690			690	
Accrued Payroll Liabilities		7,505			7,505	1,596
Unearned Revenue						7,583
Total Current Liabilities		10,272			10,272	11,825
NET POSITION AND RESERVES						
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (See Note 3)		340,768			340,768	340,230
Reserve for Future Legal Costs (See Note 4)	12,206				12,206	12,206
Reserve for Compensated Absences (See Note 7)	15,000				15,000	15,000
Net Position - Per Exhibit B	267,683		10,861	145,214	423,758	411,203
Total Net Position and Reserves	294,889	340,768	10,861	145,214	791,732	778,639
Total Liabilities, Net Position and Reserves	\$ 294,889	\$ 351,040	\$ 10,861	\$ 145,214	\$ 802,004	\$ 790,464

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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGES IN NET POSITION
JUNE 30, 2017 and 2016

	Unrestricted Funds	Temporarily Restricted			Totals for the Year Ended June 30	
		Chapter 251	Equipment Fund	NJ Hydraulic and Hydrologic Database	Building Fund	2017 2016
Support and Revenue						
Soil Erosion and Sediment						
Control Act Fees	\$	\$ 124,350	\$	\$	\$	\$ 124,350 \$ 116,925
State Stormwater Fees	9,625					9,625 5,660
Cumberland County	15,000					15,000 15,000
Interest on Investments	1,746	3,242				4,988 5,082
NJ Hydraulic Hydrologic Database				15,166		15,166
Non-Cash In-Kind - Included as						
Expenditures Below						
Federal		478,932				478,932 462,292
State		30,000				30,000 39,000
Total Support and Revenue	26,371	636,524		15,166		678,061 643,959
Expenditures						
Salaries and Wages		68,764				68,764 66,216
Health Benefits		6,282				6,282 3,596
Payroll Taxes		14,314				14,314 14,915
Pension Expense		5,774				5,774 6,019
Professional Services		10,326				10,326 3,440
Maintenance/Repairs		2,701				2,701 2,056
Office Supplies and Expenses		2,359				2,359 2,525
Insurance		4,890				4,890 6,486
Contracted Services				7,583		7,583

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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGES IN NET POSITION
JUNE 30, 2017 and 2016

	Temporarily Restricted					Totals for the	
	Unrestricted	Chapter 251	Equipment	NJ Hydraulic	Building	Year Ended June 30	
	Funds		Fund	and Hydrologic	Fund	2017	2016
Expenditures (continued)							
Professional/Training	\$	\$ 4,070	\$	\$	\$	\$ 4,070	\$ 1,426
Utilities		5,556				5,556	4,986
Vehicle Expenses		1,995				1,995	1,802
Miscellaneous		23				23	
In-Kind (Federal/State)		508,932				508,932	501,292
Depreciation			3,529		2,870	6,399	6,399
Total Expenditures		635,986	3,529	7,583	2,870	649,968	621,158
Excess (Deficiency) of Support and Revenues Over Expenditures	26,371	538	(3,529)	7,583	(2,870)	28,093	22,801
Non-Operating Sources and Uses:							
(Increase) Decrease in Reserves:							
Future Soil Erosion and Sediment Control Act Expenditures		(538)				(538)	(268,060)
Compensated Absences							19,699
Prior Year Revenue Adjustment	(7,417)			(7,583)		(15,000)	
Net Position, July 1, 2016	248,729		14,390		148,084	411,203	636,763
Net Position, June 30, 2017 to Exhibit A	\$ 267,683	\$	\$ 10,861	\$	\$ 145,214	\$ 423,758	\$ 411,203

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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2017 and 2016

	Unrestricted Funds	Chapter 251	Equipment Fund	Building Fund	NJ Hydrologic Database	Totals for the Year Ended June 30	
						2017	2016
<u>Cash Flow from Operating Activities</u>							
Excess (deficiency) of Support and Revenues Over Expenditures	\$ 26,371	\$ 538	\$ (3,529)	\$ (2,870)	\$	\$ 20,510	\$ 22,801
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			3,529	2,870		6,399	6,399
Increase (decrease) in Prior Revenue	(7,417)					(7,417)	
Changes in Assets and Liabilities:							
(Increase)/Decrease in Accounts Receivable	(1,425)					(1,425)	15,375
(Increase)/Decrease in Prepaid Insurance		(15)				(15)	(24)
(Decrease)/Increase in Accounts Payable		846				846	(2,024)
(Decrease)/Increase in Due State of NJ Application Fees		(725)				(725)	300
(Decrease)/Increase in Accrued Payroll		5,909				5,909	129
(Decrease)/Increase in Unearned Revenue					(7,583)		
Cash Provided From Operations	17,529	6,553			(7,583)	16,499	42,956
<u>Cash Flow from Investing Activities</u>							
Acquisition of Fixed Assets							
Net Increase (Decrease) in Cash	17,529	6,553			(7,583)	16,499	42,956
Cash and Cash Equivalents - 7/1/16	275,060	343,476	36	73,562	7,583	699,717	656,761
Cash and Cash Equivalents - 6/30/17	\$ 292,589	\$ 350,029	\$ 36	\$ 73,562	\$	\$ 716,216	\$ 699,717
<u>Analysis of Balance:</u>							
Cash					\$ 282,236		
Savings and Investments					433,980		
						\$ 716,216	

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

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

The Cumberland-Salem 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.

Financial Statement Presentation

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

Basis of Accounting

The accounting policies of the Cumberland-Salem Conservation 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 modified accrual basis of accounting. Support and revenues are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred. Chapter 251 revenue is recognized when received and Chapter 251 expenses are recognized when incurred.

The accounts of the District shall be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, Net Position, support, revenues and expenditures. Fixed asset purchases are to be recorded in the fund of acquisition, with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the statement of financial position.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Asset Fund

Capital Assets acquired or constructed for 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

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 the New Jersey Department of Agriculture's Financial Accounting Manuel 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.

Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2017, the District's bank balance of \$719,592 was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 672,993
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name	46,599
	<u>\$ 719,592</u>

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, is as follows:

	Federal	State	Total June 30, 2017	Total June 30, 2016
Salaries & Wages	\$ 274,383	\$	\$ 274,383	\$ 300,470
Fringe Benefits	98,533		98,533	99,648
Administrative Overhead		30,000	30,000	31,000
Rent & Office Expense	106,016		106,016	105,634
Totals	\$ 478,932	\$ 30,000	\$ 508,932	\$ 536,752

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 November 21, 1994. As a result of rising expenses incurred by the District to maintain their level of services, the Board has revised the fee schedule, effective August 1, 2010 to bring the fees charged in comparability to the expenses incurred.

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures at June 30, 2017 was \$340,768, as compared with \$340,230 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 \$12,206.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

5. 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.

6. LITIGATION

The District did not consult a Solicitor regarding any litigation, claims, or assessments during the 2016-17 fiscal year.

7. 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, 2017 is \$15,000, which is the maximum allowed in the State of New Jersey.

8. LEASES

The District had no leases as of June 30, 2017.

9. SURETY BOND COVERAGE

The Cumberland-Salem Conservation District has a public officials liability bond with coverage of \$70,000.

10. 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.

11. 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 storm water basin design information, which has been collected on detention basin summary sheets since 1986. The NJDA 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 received the remaining portion upon completion of the project.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

12. UNEARNED REVENUE

Unearned Revenue represents restricted revenue that has been received but not yet earned. As of June 30, 2017, the District had no unearned revenue.

13. 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 are 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. This report 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.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

13. 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), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

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 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The District's contributions to PERS for the years ended June 30, 2017, and 2016, were \$9,480 and \$9,180 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, 2017 was \$68,763. Payroll covered by PERS was \$63,060 for fiscal year 2017.

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, 2017 is as follows:

	<u>PERS</u>
Employees	\$ 4,540
District	<u>9,480</u>
Total	\$ <u>14,020</u>

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

13. PENSION (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 2017, as follows:

Public Employees Retirement System					
Fiscal Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by District
2017	\$ 1,274	\$ 6,483	\$ 9,480	\$ N/A	\$ 9,480

Components of Net Pension Liability - At June 30, 2017, the District's proportionate share of the PERS net pension liability was \$271,506. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2016. 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, 2016. The District's proportion measured as of June 30, 2016, was 0.00092% which was an increase of 0.00091% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2017 PERS pension expense, with respect to GASB 68, was 26,021. The District's 2017 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	\$ 5,049	\$
Changes of assumptions	56,242	
Net difference between projected and actual earnings on pension plan investments	10,353	
Changes in proportion	710	237
Contributions subsequent to the measurement date	9,480	
Total	\$ 81,834	\$ 237

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

13. PENSION (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	\$	15,871
2019		15,871
2020		18,508
2021		15,519
2022		6,348
Thereafter		-
Total	\$	72,117

Additional Information - Collective Balances at June 30, 2017 and 2016 are as follows:

Year		6/30/2017		6/30/2016
Collective deferred outflows of resources	\$	72,354	\$	27,296
Collective deferred inflows of resources		237		3,605
Collective Net Pension Liability		271,506		205,202
District's Proportion		0.00092%		0.00001%

Actuarial Assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Measurement Date	June 30, 2016
Actuarial Valuation Date	July 1, 2015
Investment Rate of Return	7.65%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	3.08%

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.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

13. PENSION (CONTINUED)

Actuarial Assumptions (Continued) - 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, 2015 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.

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, 2016 are summarized in the following table:

PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

13. PENSION (CONTINUED)

Discount Rate - The discount rate as of June 30, 2016 used to measure the total pension liability was 3.98% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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, 2016, 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 (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount (3.98%)	1% Increase (4.98%)
District's proportionate share of			
the net pension liability	\$ 332,699	\$ 271,506	\$ 220,986

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.

14. SUBSEQUENT EVENTS

There were no material events between June 30, 2017 and September 21, 2017 affecting the financial status of the Cumberland-Salem Soil Conservation District.

End of Notes to Financial Statements

SCHEDULES

EXHIBIT D

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

		General	
	Budget	Actual	Variance
<u>Revenues</u>			
Soil Erosion & Sediment Control Fees	\$ 110,000	\$ 124,350	\$ 14,350
County Funding	15,000	15,000	
RFA Income	4,500	9,625	5,125
Interest	3,000	4,988	1,988
Vehicle Sales	6,000		(6,000)
Total Revenues	138,500	153,963	15,463
Adjustments:			
NJ Hydraulic and Hydrologic Database		15,166	
In-Kind Support (Federal/State)		508,932	
Total Expenditures - to Exhibit B(1)		\$ 678,061	
<u>Expenditures</u>			
Salaries and Wages	75,000	68,764	6,236
Health Benefits	10,000	6,282	3,718
Pension	9,000	14,314	(5,314)
Payroll Taxes	8,000	5,774	2,226
Professional Services	5,000	10,326	(5,326)
Maintenance and Repairs - Building	8,500	2,701	5,799
Office Expenses/Supplies	3,000	2,359	641
Insurance	6,250	4,890	1,360
Professional/Training	3,900	4,070	(170)
Utilities	5,600	5,556	44
Vehicle	3,150	1,995	1,155
Miscellaneous		23	(23)
	\$ 137,400	127,054	\$ 10,346
Adjustments:			
Depreciation		6,399	
Contracted Services		7,583	
In-Kind Support (Federal/State)		508,932	
Total Expenditures - to Exhibit B(2)		\$ 649,968	

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

SCHEDULE 1

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Program Title	Federal CFDA Number	Grant Period		Balance June 30, 2016	Receipts or Revenue Realized	Cash Received (Memo Only)	Expenditures	Adjust	Repayment of Prior Year Balances	Balance June 30, 2017		
		From	To							(Accounts Receivable)	Unearned Revenue	Due Grantor
Department of Environmental Protection: US Department of Agriculture In-Kind Contribution	12-902	7/1/2016	6/30/2017	\$	\$ 478,932	\$	\$ (478,932)	\$	\$	\$	\$	\$
				\$	\$ 478,932	\$	\$ (478,932)	\$	\$	\$	\$	\$

The Cumberland-Salem Soil Conservation District expended less than \$750,000 in federal assistance, it is not subject to federal audit requirements.

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

SCHEDULE 2

**CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017**

State Funding Department	State Program	GMIS Number	Grant Award Amount	From	To	June 30, 2016		Receipts or Revenue Recognized	Expenditures	Adjustment	June 30, 2017	
						Accounts Receivable	Unearned Revenue				Accounts Receivable	Unearned Revenue
Department of Agriculture - State Soil Conservation Committee	In-Kind Contribution	N/A	\$ 30,000	7/1/16	6/30/17	\$	\$	\$ 30,000	\$ (30,000)	\$	\$	\$
Department of Agriculture - State Soil Conservation Committee	Hydraulic and Hydrologic Database for Stormwater Management Basins	SSCC-251-HDF1	15,166	7/24/14	6/30/17		7,583	7,583	(7,583)	(7,583)		
Total						\$	\$ 7,583	\$ 37,583	\$ (37,583)	\$ (7,583)	\$	\$

The Cumberland-Salem Soil Conservation District expended less than \$750,000 in state assistance, it is not subject to state single audit requirements.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

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 are required to be sought for purchases over \$2,625, where it is possible to solicit more than one quotation. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District minutes. For purchases, which are unusual or not routine in nature, a policy should be adopted addressing such purchases. Any suggested policy should be reviewed with the solicitor. In addition, when making purchases utilizing the state contract system, the award of such a contract shall be authorized by a resolution of the Board of Supervisors as required by N.J.A.C. 5:34-1.2. No exceptions were noted.

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

The District was in compliance with the **Financial Accounting Manual for New Jersey Soil Conservation Districts**, which states that all checks must have two signatures, at least one of which shall be the District chairman.

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.

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 2016-17 District budget was presented in an acceptable format, as prescribed by the revised financial accounting manual.

CUMBERLAND-SALEM SOIL CONSERVATION DISTRICT
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

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 not hesitate to call us.