

**OCEAN COUNTY SOIL
CONSERVATION DISTRICT
Forked River, New Jersey**

**REPORT OF AUDIT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

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OCEAN COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2013

CONSERVATION DISTRICT BOARD OF SUPERVISORS

THE DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dr. William J. Pollock	Chairman	June 30, 2015
Anthony DiLodovico	Vice-Chairman	June 30, 2015
Charlene H. Costaris	Treasurer	June 30, 2016
Michael Gross	Secretary	June 30, 2014
Martha Maxwell-Doyle	Supervisor	June 30, 2016

MANAGEMENT AND ADMINISTRATIVE STAFF

Christine Raabe	District Director
Jean Baluski	Office Manager

Note – There was an Employee Theft-Blanket, Forgery or Alteration Policy in the amount of \$200,000 for employees.

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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

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

August 22, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Ocean County Soil Conservation District
714 Lacey Road
Forked River, New Jersey 08731

Gentlemen:

We have audited the accompanying financial statements of the Ocean County Soil Conservation District as of June 30, 2013 and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Ocean County Soil Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information was audited by other auditor's whose report, dated November 21, 2012, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ocean County Soil Conservation District as of June 30, 2013, and the changes in net assets 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.

In accordance with **Government Auditing Standards**, we have also issued a report dated August 22, 2013 on our consideration of the Ocean County Soil Conservation District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Ocean County Soil District taken as a whole. The accompanying supplementary schedules of expenditures of budget versus actual expenditures and federal and state grant activity are presented for purposes of additional analysis as required by the State of New Jersey, Department of Agriculture, and State Soil Conservation Committee. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in dark ink, appearing to read 'Raymond Colavita', is written over the printed name.

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

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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

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Fax (856) 728-2245

August 22, 2013

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
Ocean County Soil Conservation District
714 Lacey Road
Forked River, New Jersey 08731

Gentlemen:

We have audited the financial statements of the Ocean County Soil Conservation District as of and for the year ended June 30, 2013, and have issued our report thereon dated August 22, 2013. 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.

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**.

This report is intended solely for the information and use of management, the Board of Supervisors, and Federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read 'Raymond Colavita', is written over the printed name.

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 and 2012

	Unrestricted	Temporarily Restricted			Totals	
		Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2013	June 30, 2012
<u>ASSETS</u>						
Current Assets						
Cash Savings and Temporary Investments	\$ 202,280	\$ 2,234,095	\$		\$ 2,436,375	\$ 2,317,181
Operating Funds						
Accounts Receivable:						
New Jersey Stormwater Aid		9,150			9,150	7,950
Federal Grants				106,859	106,859	41,167
Prepaid Expense (Note 14)		13,295			13,295	
Interfunds		163,159			163,159	112,884
Total Current Assets	202,280	2,419,699		106,859	2,728,838	2,479,182
Property, Plant and Equipment (Note 1E)						
Land and Buildings			422,524		422,524	422,524
Furniture and Equipment			171,351		171,351	185,345
Less: Accumulated Depreciation			(311,771)		(311,771)	(307,574)
Total Property, Plant and Equipment			282,104		282,104	300,295
Total Assets	\$ 202,280	\$ 2,419,699	\$ 282,104	\$ 106,859	\$ 3,010,942	\$ 2,779,477

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

EXHIBIT A
(2)

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 and 2012

	Unrestricted	Temporarily Restricted			Totals	
		Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2013	June 30, 2012
<u>LIABILITIES, NET ASSETS AND RESERVES</u>						
Current Liabilities						
Accounts Payable		\$ 929	\$	3,816	\$ 4,745	\$
Due to the State of New Jersey		8,420			8,420	13,444
Deferred Revenue (Note 12)				13,945	13,945	
Interfunds	74,061			89,098	163,159	112,884
Total Current Liabilities	74,061	9,349		106,859	190,269	126,328
Reserves						
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 4)		702,290			702,290	679,456
Reserve for Future Legal Fees (Note 3)		40,000			40,000	40,000
Reserve for Vehicle Acquisitions (Note 16)		20,000			20,000	
Reserve for Retirement Health Benefits (Note 15)		75,000			75,000	
Reserve for Compensated Absences (Note 11)		181,883			181,883	169,799
Total Reserves		1,019,173			1,019,173	889,255
Net Assets and Reserves						
Unrestricted Net Assets	128,219				128,219	127,920
Temporarily Restricted Net Assets		1,391,177	282,104		1,673,281	1,635,974
Total Net Assets and Reserves	128,219	1,391,177	282,104		1,801,500	1,763,894
Total Liabilities, Net Assets and Reserves	\$ 202,280	\$ 2,419,699	\$ 282,104	\$ 106,859	\$ 3,010,942	\$ 2,779,477

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

EXHIBIT B
(1)

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251	Equipment Fund	Grant Fund	June 30, 2013	June 30, 2012
Support and Revenue:						
Soil Erosion and Sediment Control Act Fees	\$	\$ 1,032,372	\$	\$	\$ 1,032,372	\$ 978,918
Interest on Deposits	2,595	21,555			24,150	27,138
RFA Fees (New Jersey Stormwater Aid)		26,305			26,305	29,540
Section 125 Health Care Reimbursements						9,156
CBT (Corp. Bus. Tax) Grant				44,306	44,306	33,836
SHIP Projects				30,027	30,027	37,150
319 - Basin Grant				5,276	5,276	
Miscellaneous	150	7,217			7,367	20,864
Roundtable	920				920	
Non-Cash In-Kind; Included as Expenditures Below (Note 2)		86,825			86,825	42,000
Total Support and Revenue	\$ 3,665	\$ 1,174,274	\$	\$ 79,609	\$ 1,257,548	\$ 1,178,602
Expenditures and Net Assets Released from Restrictions:						
Professional Fees	\$	\$ 13,486	\$	\$	\$ 13,486	\$ 9,159
Building Expense:						
Maintenance		5,945			5,945	2,529
Utilities		10,572			10,572	10,141
Office Equipment		5,580			5,580	2,638
CBT (Corp. Bus. Tax) Grant				44,306	44,306	13,443
SHIP Projects				30,027	30,027	8,236
319 - Basin Grant				5,276	5,276	13,693
Depreciation			18,191		18,191	25,746
Dues and Donations		2,601			2,601	2,185
Education						30
Employee Benefits	1,028	217,148			217,148	198,977
Insurance		20,683			20,683	31,264
Miscellaneous	323	1,500			1,823	1,519
Office Expense		61,078			61,078	21,453

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2013	June 30, 2012
Expenditures (Continued)						
Payroll		\$ 425,606	\$	\$	425,606	\$ 753,376
Payroll Tax		88,449			88,449	33,641
Poster Contest	250				250	680
Annual Employer Pension Contribution		102,019			102,019	125,866
Postage and Delivery						5
Reference Material and Publications	40				40	65
Round Table	1,630				1,630	1,523
Service Contracts		2,785			2,785	4,164
Telephone		3,660			3,660	5,763
Vehicle Expense		14,567			14,567	16,902
Workshops, Meetings and Training	94	3,639			3,733	3,662
State Indirect in-Kind Support		46,867			46,867	42,000
Expenditures and Net Assets Released from Restrictions:	3,365	1,026,185	18,191	79,609	1,127,350	1,328,660
Excess (Deficiency) of Support and Revenue Over Expenditures	300	148,089	(18,191)		130,198	(150,058)
Adjustments:						
Reserve for Soil Erosion and Sediment Control Act Expenditures		(22,834)			(22,834)	(26,147)
Accrued Sick Leave						(21,171)
Compensated Absences		(12,084)			(12,084)	
Vehicle Acquisition		(20,000)			(20,000)	
Retirement Health Benefits		(75,000)			(75,000)	
Transfers		37,326		(37,326)		
Prior Year Adjustment - Accounts Receivable				37,326	37,326	
Net Assets, beginning of year	127,919	1,335,680	300,295		1,763,894	1,961,270
Net Assets, end of year	\$ 128,219	\$ 1,391,177	\$ 282,104	\$	\$ 1,801,500	\$ 1,763,894

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>Totals for the Period ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash Flows provided (used) by Operating Activities		
Excess (Deficiency) of Support and Revenue over Expenditures	\$ 130,198	\$ (150,058)
Adjustments to Reconcile Excess (Deficiency) of Support and Revenue over Expenditures to Net Cash provided by Operating Activities:		
Depreciation	18,191	25,746
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(29,566)	(27,804)
(Increase) Prepaid Expense	(13,295)	
(Decrease) Increase in Accounts Payable	4,745	
(Decrease) Increase in Deferred Revenue	13,945	
(Decrease) Increase in Due to State of New Jersey	(5,024)	7,794
Net Cash Provided (Used) by Operating Activities	<u>(11,004)</u>	<u>5,736</u>
Net Increase (Decrease) in Cash	119,194	(144,322)
Cash and Cash Equivalents -		
June 30, 2013 - Beginning of Year	<u>2,317,181</u>	<u>2,461,503</u>
Cash and Cash Equivalents -		
June 30, 2013 - End of Year	<u>\$ 2,436,375</u>	<u>\$ 2,317,181</u>

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of Financial Reporting Entity

The Ocean 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.

B Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in Forked River, Township of Lacey, County of Ocean. It was organized 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.

C 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 Assets, Temporarily Restricted Net Assets and Permanently Restricted Net Assets. Unrestricted Net Assets can be expended by the District for any aspect of its operations and at any time, as determined by management. Temporarily Restricted Net Assets 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 Assets can never be expended, but benefit the District through investment earnings on such assets. As of June 30, 2013, the District had only Unrestricted and Temporarily Restricted Net Assets.

D Basis of Accounting

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Basis of Accounting - Continued

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 assets, 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.

E 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 Assets acquired 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
Vehicles	5 Years
Furniture	7 Years
Land Improvements	15 Years
Building and Improvements	40 Years

F Amortization of Financing Costs

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

G 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 may differ from those estimates.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H 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 assets of the District.

I 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.

J Support and Expenses

Contributions and restricted grant revenues are measured at their fair market values and are reported as an increase in net assets. 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 assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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, is as follows:

	<u>Federal</u>	<u>State</u>	<u>Total June 30, 2013</u>
Indirect Support		\$ 46,867	\$ 46,867
Salaries	\$ 24,771		24,771
Fringe Benefits	5,782		5,782
Rent, Telephone and Other	9,405		9,405
Totals	\$ 39,958	\$ 46,867	\$ 86,825

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (CONTINUED)

3. 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. The District has set this Reserve at \$40,000, as of June, 30 2013.

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 (including site inspections) for projects currently in progress, for which fees under the act have previously been collected. The current balance of the reserve is calculated by multiplying the certification fees collected during the current and two preceding years by the following percentages:

	<u>Fees</u>	<u>Percentage</u>	<u>Reserve</u>
June 30, 2011	\$ 910,128	10%	\$ 91,013
June 30, 2012	991,642	20%	198,328
June 30, 2013	1,032,372	40%	412,949
Reserve Balance June 30, 2013			<u>\$ 702,290</u>

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. On April 15, 2010, a \$25 increase was approved for State Administration fee. The fund equity of the Reserve for Future Soil Erosion and Sediment Control Act Expenditures, as of June 30, 2013 and 2012, was \$702,289 and \$679,456, respectively.

5. CASH AND TEMPORARY INVESTMENTS

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (CONTINUED)

5. CASH AND TEMPORARY INVESTMENTS – (Continued)

New Jersey Cash Management Fund

All Fund investments are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and minimize the related risks. The Division has never suffered a default of principal or interest on any 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 protection for "Other-than-State" participants. As of June 30, 2013, the District had \$-0- on deposit with the New Jersey Cash Management Fund.

6. CONCENTRATION OF CUSTODIAL CREDIT RISK

All bank deposits and investments as of the balance sheet date are classified as to credit risk. At times, amounts on deposit may exceed federally insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible. As of June 30, 2013, \$1,941,108 of the districts bank balance of \$2,441,108 was exposed to custodial credit risk.

7. DEFERRED COMPENSATION SALARY ACCOUNT

The District offers its 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.

8. CONTINGENT LIABILITIES

Per confirmation by the Ocean 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.

9. PENSION

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

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

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 (CONTINUED)

9. PENSION - Continued

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System are required to contribute a percentage of their annual covered salary to the system. The District is billed annually for its normal contribution plus any accrued liability.

The District's contributions to the plan are as follows:

<u>Fiscal Year</u>	<u>Contribution</u>
2012-13	\$ 102,019
2011-12	125,866
2010-11	125,173
2009-10	108,044

10. 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.

11. RESERVE FOR COMPENSATED ABSENCES

Compensated Absences are those absences for which employees will be paid, such as vacation or sick leave. While the benefit has already been earned, payment is conditioned upon use of the time earned or payment upon retirement, based on the policy in affect at the time of separation. Therefore, a liability has not been set up on the balance sheet but net assets have instead been reserved. The balance in the reserve, as of June 30, 2013, is \$181,883.

12. DEFERRED REVENUE

Deferred Revenue represents restricted revenue that has been received but not yet earned. District Management reviews the status of Deferred Revenue on an ongoing basis. The balance in Deferred Revenue, as of June 30, 2013, is \$13,945 and relates to the Hydraulic and Hydrologic Database Project.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

13. 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.

14. PREPAID EXPENSE

Prepaid expenses represent expenses paid in advance, which creates a benefit beyond the current period. As of June 30, 2013, the District had \$13,295 in prepaid expenses.

15. RESERVE FOR RETIREMENT HEALTH BENEFITS

The board has designated a portion of Net Assets, in the amount of \$75,000, for future health care cost of retired district personnel.

16. RESERVE FOR VEHICLE ACQUISITIONS

The board has designated a portion of Net Assets, in the amount of \$20,000, for future vehicle acquisitions.

17. SUBSEQUENT EVENTS

There were no material events between June 30, 2013 and August 22, 2013 affecting the financial status of the Ocean County Soil Conservation District.

End of Notes to Financial Statements

SCHEDULES

OCEAN COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF BUDGET VERSUS ACTUAL EXPENDITURES - OPERATING FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget</u>
Chapter 251			
Capital Expense Account	\$ 20,000	\$	\$ 20,000
Professional Fees	16,300	13,486	2,814
Building Expense:			
Maintenance	5,000	5,945	(945)
Utilities	12,250	10,572	1,678
Dues and Donations	4,155	2,601	1,554
Office Equipment	5,000	5,580	(580)
Equipment Rental/Service Contracts	6,850	2,785	4,065
Employee Benefits	227,842	211,366	16,476
Payroll Expenses	545,000	502,854	42,146
Employer Payroll Tax Expenses	172,366	88,449	83,917
Insurance	32,300	20,683	11,617
Office Expenses	47,842	44,342	3,500
Website Expenses	8,925	7,331	1,594
Telephone	6,030	3,660	2,370
Vehicle Expenses	17,732	14,567	3,165
Workshop, Meetings & Training	6,301	3,639	2,662
Chapter 251 Soil Testing	600		600
Miscellaneous		1,500	(1,500)
General			
Roundtable	1,500	1,630	(130)
Poster Contest	500	250	250
General Workshop	2,000	1,162	838
Trout in the Classroom	2,000		2,000
Soil Display	2,500		2,500
Miscellaneous		323	(323)
Grant Project Expenses	120,500	79,609	40,891
Total Expenditures	\$ 1,263,493	1,022,334	\$ 241,159
Adjustment			
In-Kind Support		86,825	
Depreciation		18,191	
Total Expenditures - to Exhibit B		\$ 1,127,350	

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

SCHEDULE 2

OCEAN COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-Through Program Title	Federal CFDA Number	Grant Award Amount	Grant Period From To	Balance June 30, 2012	Cash/Revenue Received	Expenditures	Adjustment	Balance June 30, 2013 (Accounts Receivable)	Deferred Revenue
US Department of Agriculture In-Kind Contribution	N/A	\$ 39,958	7/1/12 6/30/13	\$	\$ 39,958	\$ (39,958)	\$	\$	\$
US Environmental Protection Agency Ocean County College Soil Health Improvement Program	66.456	73,530	1/1/11 6/30/14			(30,027)	(28,196)	(58,223)	
CBT Grant-In-Aid Program: Sub-Watershed Action Project in the Long Swamp Creek Watershed	RP07-057	33,836 44,306	7/1/11 6/30/12 7/1/12 6/30/13	(30,168)	30,168 4,800	(44,306)	(4,814)	(44,320)	
319 - Basin Grant: Retrofit and Restoration of Stormwater Basins and Control Facilities	RP09-076	36,905 5,726	7/1/11 6/30/12 7/1/12 6/30/13	(11,000)	11,000 950	(5,276)		(4,316)	
				\$ (41,168)	\$ 86,886	\$ (119,567)	\$ (33,010)	\$ (106,859)	\$

The Ocean County 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 3

OCEAN COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

State Grantor Program Title	GMIS Number	Grant Award Amount	Grant Period From To	Balance July 1, 2012	Cash Revenue Received	Expenditures	Balance June 30, 2013 (Accounts Receivable) Revenue
State of New Jersey Dept. of Agriculture: In-Kind Contribution	N/A	\$ 46,867	7/1/12 6/30/13	\$	46,867 \$	(46,867) \$	\$
Hydraulic and Hydrologic Database for Stormwater Management Basins	SSCC-251-HDF1	27,890	7/1/12 6/30/13		13,945		13,945
				\$	60,812 \$	(46,867) \$	\$ 13,945

The Ocean County 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

OCEAN COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2013

COMMENTS

Administrative Practices and Procedures

Purchases shall be in conformance with the State Public Contracts Law for securing formal bids on purchases in excess of \$17,500 and on Quotations for purchases over \$2,625, where it is possible to solicit more than one quotation. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District minutes. For purchases, which are unusual or not routine in nature, a policy should be adopted addressing such purchases. Any suggested policy should be reviewed with the solicitor. In addition, when making purchases utilizing the state contract system, the award of such a contract shall be authorized by a resolution of the Board of Supervisors as required by N.J.A.C. 5:34-1.2. No exceptions were noted.

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

According to the revised Financial Accounting Manual for New Jersey Soil Conservation Districts, various internal controls must be in place and followed, in order to demonstrate that an appropriate control environment exists over disbursements by check. For example, checks issued in excess of \$1,000 must have two signatures. No exceptions were noted.

Financial Planning, Accounting and Reporting

The budget prepared by the Ocean County Soil Conservation District was not in a format illustrated in the revised Financial Accounting Manual for New Jersey Soil Conservation Districts. The District is presently in the process of reviewing their budget format.

The Financial Accounting Manual for New Jersey Soil Conservation Districts indicates that, as of June 30, 1992, the accounting period to be used by all soil conservation districts was to be June 30 of each year. This includes the budgeting, recording and reporting of all financial information of the District.

Computerized Accounting System

The District implemented a computerized accounting system on the cash basis. It is suggested that adjustments for non-cash activity be recorded periodically in order that the accrual system of accounting be fully utilized.

OCEAN COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR JUNE 30, 2013

FINDINGS:

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.