

**CAPE-ATLANTIC SOIL
CONSERVATION DISTRICT**

Mays Landing, New Jersey

REPORT OF AUDIT

FOR THE TWELVE MONTHS ENDED JUNE 30, 2016

Report dated September 2, 2016

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CAPE-ATLANTIC SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2016

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Daniel J. Galletta	District Chairman	6/30/18
Joseph L. Lomax	Vice-Chairman	6/30/17
Robert H. Fenton	Secretary	6/30/17
Allen Carter, Jr.	Treasurer	6/30/19
Richard Dovey	District Supervisor	6/30/18

ADMINISTRATIVE OFFICIALS

David Reilly	District Manager
Michael Kent	Assistant Manager
Glenn Ward	Site Inspector III
Marie Rogowski	Administrative Assistant II

NIGHTLINGER, COLAVITA & VOLPA

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Certified Public Accountants*

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September 2, 2016

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Cape-Atlantic Soil Conservation District
6260 Old Harding Highway
Mays Landing, New Jersey 08330

Gentlemen:

Report on Financial Statements

We have audited the accompanying financial statements of the Cape-Atlantic Soil Conservation District as of and for the twelve months ended June 30, 2016 and the related statements of activities and changes in net position and of cash flows for the year then ended, which collectively comprise the Cape-Atlantic 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 Cape-Atlantic Soil Conservation District, as of June 30, 2016 and 2015, or the results of its operations and changes in net position for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape-Atlantic Soil Conservation District, as of June 30, 2016, and the changes in net position and its cash flows for the year then ended in accordance with the financial provisions of the New Jersey Department of Agriculture's Financial Accounting Manual.

Report on Summarized Comparative Information

We have previously audited Cape-Atlantic Soil Conservation District's 2015 financial statements, and our report dated August 21, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated September 2, 2016 on our consideration of the Cape-Atlantic Soil Conservation District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

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

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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September 2, 2016

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

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Cape-Atlantic Soil Conservation District
6260 Old Harding Highway
Mays Landing, New Jersey 08330

Gentlemen:

We have audited the financial statements of the Cape-Atlantic Soil Conservation District as of and for the twelve months ended June 30, 2016, and have issued our report thereon dated September 2, 2016. We conducted our audit in accordance with generally accepted auditing standards; the standards 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; 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 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, 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

This report is intended for the information of the Cape-Atlantic Soil Conservation District, the funding sources of the Cape-Atlantic Soil Conservation District, the New Jersey Department of Agriculture, and Federal and State audit agencies and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

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

SCHEDULES

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2016 and 2015

	Unrestricted	Temporarily Restricted			Totals for the Period ended		
		Chapter 251	NFWF	Fixed Asset Fund	Special Projects	June 30, 2016	June 30, 2015
ASSETS							
Current Assets							
Cash - Operating Funds	\$ 554,454	\$ 703,619	\$ 19,014	\$ 450,000	\$ 20,973	\$ 1,748,060	\$ 1,756,328
Accounts Receivable:							
State of New Jersey Storm Storm Water Program	9,850					9,850	4,450
NJ Hydrologic Database (Note 16)							8,228
General Purpose Appropriations - Counties of Atlantic & Cape May	6,250					6,250	6,250
National CIG (Note 18)							962
NFWF (Note 19)			4,372			4,372	
Interfund Receivable	23,386					23,386	9,190
Prepaid Expenses		5,886				5,886	7,523
Total Current Assets	593,940	709,505	23,386	450,000	20,973	1,797,804	1,792,931
Property, Plant and Equipment (Note 1)							
Office Furniture and Equipment				23,702		23,702	23,702
Computer System				41,707		41,707	41,707
Automobiles				50,619		50,619	50,619
				116,028		116,028	116,028
Less: Accumulated Depreciation				103,233		103,233	96,943
Total Property, Plant and Equipment				12,795		12,795	19,085
Total Assets	\$ 593,940	\$ 709,505	\$ 23,386	\$ 462,795	\$ 20,973	\$ 1,810,599	\$ 1,812,016

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

**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
COMBINED BALANCE SHEETS
JUNE 30, 2016 and 2015**

	Unrestricted	Temporarily Restricted			Totals for the Period ended	
		Chapter 251	NFWF	Fixed Asset Fund	Special Projects	June 30, 2016
LIABILITIES, NET POSITION AND RESERVES						
Current Liabilities						
Accounts Payable	\$	\$ 579	\$	\$	\$	\$ 751
Due State of New Jersey	2,955	3,025			5,980	4,760
Accrued Payroll and Payroll Taxes, Including Withheld Portions		12,726			12,726	12,468
Interfund Payables			23,386		23,386	9,190
Amount Due to Cape May Plant Materials Center				20,973	20,973	23,083
Total Current Liabilities	2,955	16,330	23,386	20,973	63,644	50,252
NET POSITION AND RESERVES						
Temporarily Restricted Net Position and Reserves:						
Reserves:						
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 3)		473,175			473,175	278,843
Reserve for Land and Building Acquisition (Note 1)				400,000	400,000	400,000
Reserve for Vehicle Acquisition (Note 1)				48,000	48,000	48,000
Reserve for Equipment Acquisition (Note 1)				2,000	2,000	2,000
Reserve for Health Insurance Benefits (Note 15)		70,000			70,000	70,000
Reserve for Future Legal Costs (Note 4)		150,000			150,000	150,000
Net Position						
Investment in Fixed Assets Unrestricted	590,985			12,795	590,985	793,836
Total Net Position and Reserves	590,985	693,175		462,795	1,746,955	1,761,764
Total Current Liabilities, Net Position and Reserves	\$ 593,940	\$ 709,505	\$ 23,386	\$ 462,795	\$ 1,810,599	\$ 1,812,016

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

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

	Unrestricted	Temporarily Restricted Funds			Totals for the Period Ended		
		Chapter 251	National CIG Program	NFWF	Fixed Asset Fund	June 30, 2016	June 30, 2015
Support and Revenue							
Soil Erosion and Sediment Control Act Fees	\$	\$ 434,973	\$	\$	\$	\$ 434,973	\$ 383,530
Interest	7,166					7,166	8,140
Non-Cash In-Kind; Included as Expenditures Below (Note 2) Counties of Atlantic and Cape May		246,912				246,912	234,027
Stormwater Discharge Program	27,730	25,000				25,000	25,000
Other Income	5,396					27,730	16,642
National CIG Income	500		23,589			5,396	3,057
NRCS Control Agreement Seasonal NFWF/RCPP Agreement		20,832		23,386		24,089	962
NJ Hydrologic Database						20,832	
						23,386	16,456
Total Support and Revenue	40,792	727,717	23,589	23,386		815,484	687,814
Expenditures							
Salaries and Wages	\$	\$ 296,816	\$ 21,746	\$ 12,715	\$	\$ 331,277	\$ 287,592
Fringe Benefits		53,459		10,671		64,130	58,101
Professional Development		6,815				6,815	8,005
Postage		1,815				1,815	1,521
Equipment Rental		1,124				1,124	781
Reimbursable SSCC							

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

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

	Unrestricted	Temporarily Restricted Funds			Totals for the Period ended		
		Chapter 251	National CIG Program	NFWF	Fixed Asset Fund	June 30, 2016	June 30, 2015
Expenditures (Continued)							
Supplies	\$	\$ 3,254	\$	\$	\$	\$ 3,254	\$ 2,189
Miscellaneous		77				77	92
Professional Fees		7,770				7,770	7,375
Communications		5,240				5,240	5,618
Insurance		135,401				135,401	120,479
Conservation and Education		6,875				6,875	3,457
Dues		2,105				2,105	2,105
Fuel		4,780				4,780	3,596
National CIG Expenses							
Supplies			1,843			1,843	962
Intern Tuition Reimbursement		3,750				3,750	3,000
Indirect Costs (Note 2)							
State		39,000				39,000	31,000
Federal		207,912				207,912	203,027
Capital Acquisitions		835				835	
Depreciation					6,290	6,290	6,310
Total Expenditures		777,028	23,589	23,386	6,290	830,293	745,210
Excess (Deficiency) of Support and Revenue Over Expenditures	40,792	(49,311)			(6,290)	(14,809)	(57,396)
Net Position, Beginning of Year	550,193	243,643			19,085	812,921	756,008
Transfer (to) from Various Reserves		(194,332)				(194,332)	114,309
Net Position, End of Year to Exhibit A	\$ 590,985	\$	\$	\$	\$ 12,795	\$ 603,780	\$ 812,921

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

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	Totals for the Period ended	
	12 Months Ended June 30, 2016	12 Months Ended June 30, 2015
Cash Flows Provided (Used) by Operating Activities		
Excess (Deficiency) of Support and Revenue over Expenditures	\$ (14,809)	\$ (57,396)
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	6,290	6,310
Increase (Decrease) in Reserves		
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(14,778)	116,602
(Increase) Decrease in Prepaid Expense	1,637	68
Increase (Decrease) in Payroll and Payroll Taxes Payable	258	1,686
(Decrease) Increase in Drill Rental Program		(6,999)
(Decrease) Increase in Amt. Due Cape May Plant	(2,110)	3,361
(Decrease) Increase in Unearned Revenue		(8,228)
(Decrease) Increase in Accounts Payable	15,244	(58,454)

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

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	Totals for the Period Ended	
	12 Months Ended June 30, 2016	12 Months Ended June 30, 2015
Net Cash (Used) by Operating Activities	\$ (8,268)	\$ (3,050)
<u>Cash Flows from Investing Activities</u>		
Acquisition of Fixed Assets		
Net (Decrease) in Cash	(8,268)	(3,050)
Cash and Cash Equivalents - Beginning of Year	1,756,328	1,759,378
Cash and Cash Equivalents - End of Year	\$ 1,748,060	\$ 1,756,328

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

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

The Cape-Atlantic Soil Conservation District is one of fifteen Districts in the state of New Jersey under the auspices of the New Jersey Department of Agriculture. Each District is governed by a Board of Supervisors, which sets policies and performance guidelines. The Districts work closely with the U.S. Soil Conservation Service to promote the wise use of soil and water resources. In 1976, the Districts in New Jersey were mandated to administer Chapter 251, The Soil Erosion and Sediment Control Act of 1976, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources and enhance soil quality.

Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in the Mays Landing, Township of Hamilton, County of Atlantic. It was organized in 1946 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. District may receive funding from a variety of public and private sources and employ staff to carry out programs as directed by the Board. All funds, regardless of the source are public funds and are subject to the State Committee's fiscal management standards, rules and statutes.

Financial Statement Presentation

The District is required to report information regarding its financial position and activities according to three classes of assets, which are Unrestricted Net Position, Temporarily Restricted Net Position and Permanently Restricted Net Position. Unrestricted Net Position can be expended by the District for any aspect of its operations and at any time, as determined by management. Temporarily Restricted Net Position are either restricted as to a specific program, a specific time period or both, but will eventually be expended by the District. Permanently Restricted Net Position can never be expended, but benefit the District through investment earnings on such Assets. As of June 30, 2016, the District had only Unrestricted and Temporarily Restricted Net Position.

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

The accounting policies of the District conform to practices prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

All 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 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, support, revenue 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.

Fixed Asset Fund

Capital Assets acquired or constructed for Property Plant and Equipment 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
Furniture	10 Years
Building and Improvements	40 Years

Also included in the Fixed Asset Fund are balances at June 30, 2016 in a Reserve for Land and Building Acquisitions of \$400,000, Reserve for Equipment Acquisitions of \$2,000 and Reserve for Vehicle Acquisitions of \$48,000.

Amortization of Financing Costs

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

Reclassifications

Certain amounts previously reported in the prior financial statements may be classified to conform to current year classifications. These reclassifications have no effect on the total net assets of the District.

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with the New Jersey Department of Agriculture's Financial Accounting Manual 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.

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.

Support and Expenses

Contributions and restricted grant revenues are measured at their fair 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 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, 2016</u>	<u>Total June 30, 2015</u>
Indirect Support	\$	\$ 39,000	\$ 39,000	\$ 31,000
Salaries	119,587		119,587	117,309
Fringe Benefits	34,391		34,391	32,422
Rent, Telephone and Other	53,934		53,934	53,296
Totals	\$ 207,912	\$ 39,000	\$ 246,912	\$ 234,027

CAPE-ATLANTIC SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

3. RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL EXPENDITURES

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to identify the funds available for the costs of future expenditures on projects currently received and in progress, for which fees under the act have been previously collected.

All fees collected from applicants are restricted to the Chapter 251 program and used only for implementing that program. The reserve balance includes the unexpended initial review/certification/inspection fees and supplemental fees received. At the option of the District Board and pursuant to formal action by the District Board, interest income from reserve balances may be utilized for the Chapter 251 program or for the District education program. Use of interest income is authorized by N.J.A.C. 2:90-1.12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007. The certification fees collected by the District are derived from an adopted fee schedule that was effective starting 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.

Prior to the 2015-16 year, this reserve was limited to a calculation involving certification fees collected during the current and two preceding years, multiplied by certain percentages per year. However, in August 2015, the District adopted a revised Financial Accounting Manual, which no longer utilizes this calculation. As such, the June 30, 2016 Reserve for Future Soil Erosion and Sediment Control Act Expenditures was \$473,175, as compared with \$278,843 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 \$150,000.

5. CASH AND CASH EQUIVALENTS

The District is responsible to designate and approve a list of authorized depository institutions based on there 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 Cape-Atlantic Soil Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.