

**CAPE-ATLANTIC SOIL  
CONSERVATION DISTRICT**

**Mays Landing, New Jersey**

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**REPORT OF AUDIT**

**FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

**Report dated September 7, 2018**

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**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT**

**ROSTER OF OFFICIALS**

**JUNE 30, 2018**

**DISTRICT GOVERNING BODY**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Allen Carter, Jr.	District Chairman	6/30/19
Robert H. Fenton	Vice-Chairman	6/30/20
Joseph L. Lomax	Secretary	6/30/20
Daniel J. Galletta	Treasurer	6/30/21
Richard Dovey	District Supervisor	6/30/21

**ADMINISTRATIVE OFFICIALS**

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

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association  
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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Supervisors:

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Cape-Atlantic Soil Conservation District as of June 30, 2018 and the related statements of activities and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the 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, 2018 and 2017, or the results of its operations and changes in net position for the years then ended.

### **Opinion on Statutory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape-Atlantic Soil Conservation District, as of June 30, 2018, and the changes in net position and its cash flows for the year then ended in accordance with the financial provisions of the New Jersey Department of Agriculture's Financial Accounting Manual.

### **Report on Summarized Comparative Information**

We have previously audited Cape-Atlantic Soil Conservation District's 2017 financial statements, and our report dated August 25, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape Atlantic Soil Conservation District's financial statements as a whole. The accompanying supplementary information listed in the foregoing table of contents, is presented for the purposes of additional analysis as required by the New Jersey Department of Agriculture's Financial Accounting Manual in accordance with those standards regarding the statement of budget versus actual revenue and expenditures - all funds combined and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the statement of budget versus actual revenue and expenditures 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 is 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 7, 2018 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*** in considering Cape Atlantic Soil Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Raymond Colavita, C.P.A. R.M.A.  
Registered Municipal Accountant  
September 7, 2018

# NIGHTLINGER, COLAVITA & VOLPA

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## 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

To the Board of Supervisors:

We have audited the financial statements of the Cape-Atlantic Soil Conservation District as of and for the twelve months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Gloucester County Soil Conservation District's basic financial statements and have issued our report thereon dated September 7, 2018. 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 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 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  
September 7, 2018

**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT  
COMBINED BALANCE SHEETS  
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017**

ASSETS	Unrestricted	Temporarily Restricted							Totals for the Period ended		
		Chapter 251	NFWF	NACD Tech. Assist.	Civil Engineering Tech. Assist.	Cape May PMC-BLM	PMC - Seasonal	Fixed Asset Fund	Special Projects	June 30, 2018	June 30, 2017
<b>Current Assets</b>											
Cash - Operating Funds	\$ 501,940	\$ 734,859		\$ 8,619				\$ 450,000	\$ 22,353	\$ 1,717,771	\$ 1,725,608
Accounts Receivable:											
State of New Jersey Storm Storm Water Program	6,050									6,050	4,800
General Purpose Appropriations - Counties of Atlantic & Cape May NFWF (Note 18)	11,250		19,621							11,250	11,250
NRCS Control Agreement Seasonal Civil Engineering Technical Assistance					6,381			3,395		3,395	7,628
Cape May PMC-BLM Interfund Receivable	19,621					6,573				6,573	
Prepaid Expenses		5,192								5,192	6,219
<b>Total Current Assets</b>	<b>538,861</b>	<b>740,051</b>	<b>19,621</b>	<b>8,619</b>	<b>6,381</b>	<b>6,573</b>	<b>3,395</b>	<b>450,000</b>	<b>22,353</b>	<b>1,795,854</b>	<b>1,797,883</b>
<b>Property, Plant and Equipment (Note 1)</b>											
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								115,175		115,175	109,352
<b>Total Property, Plant and Equipment</b>								<b>853</b>		<b>853</b>	<b>6,676</b>
<b>Total Assets</b>	<b>\$ 538,861</b>	<b>\$ 740,051</b>	<b>\$ 19,621</b>	<b>\$ 8,619</b>	<b>\$ 6,381</b>	<b>\$ 6,573</b>	<b>\$ 3,395</b>	<b>\$ 450,853</b>	<b>\$ 22,353</b>	<b>\$ 1,796,707</b>	<b>\$ 1,804,559</b>

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

**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT  
COMBINED BALANCE SHEETS  
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017**

	Unrestricted	Temporarily Restricted							Totals for the Period ended		
		Chapter 251	NFWF	NACD Tech. Assist.	Civil Engineering Tech. Assist.	Cape May PMC-BLM	PMC - Seasonal	Fixed Asset Fund	Special Projects	June 30, 2018	June 30, 2017
<b>LIABILITIES, NET POSITION AND RESERVES</b>											
<b>Current Liabilities</b>											
Accounts Payable	\$	\$ 835	\$	\$	\$	\$	\$	\$	\$	\$ 835	\$ 545
Due State of New Jersey	1,815	3,700								5,515	4,615
Accrued Payroll and Payroll Taxes, Including Withheld Portions		17,346								17,346	14,295
Interfund Payables			19,621							19,621	23,386
Amount Due to Cape May Plant Materials Center									22,353	22,353	18,559
Unearned Revenue				8,619						8,619	
<b>Total Current Liabilities</b>	<b>1,815</b>	<b>21,881</b>	<b>19,621</b>	<b>8,619</b>					<b>22,353</b>	<b>74,289</b>	<b>61,400</b>
<b>NET POSITION AND RESERVES</b>											
<b>Temporarily Restricted Net Position and Reserves:</b>											
<b>Reserves:</b>											
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 3)		718,170								718,170	438,339
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
<b>Net Position</b>											
Investment in Fixed Assets								853		853	6,676
Unrestricted	317,046				6,381	6,573	3,395			333,395	628,144
<b>Total Net Position and Reserves</b>	<b>537,046</b>	<b>718,170</b>			<b>6,381</b>	<b>6,573</b>	<b>3,395</b>	<b>450,853</b>		<b>1,722,418</b>	<b>1,743,159</b>
<b>Total Current Liabilities, Net Position and Reserves</b>	<b>\$ 538,861</b>	<b>\$ 740,051</b>	<b>\$ 19,621</b>	<b>\$ 8,619</b>	<b>\$ 6,381</b>	<b>\$ 6,573</b>	<b>\$ 3,395</b>	<b>\$ 450,853</b>	<b>\$ 22,353</b>	<b>\$ 1,796,707</b>	<b>\$ 1,804,559</b>

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, 2018 AND 2017**

	Unrestricted	Temporarily Restricted Funds						Totals for the Period Ended	
		Chapter 251	NFWF	NACD Tech. Assist.	Civil Engineering Tech. Assist.	Cape May PMC-BLM	PMC - Seasonal	Fixed Asset Fund	June 30, 2018
<b>Support and Revenue</b>									
Soil Erosion and Sediment Control Act Fees	\$	\$ 412,751	\$	\$	\$	\$	\$	\$ 412,751	\$ 439,300
Interest	15,302							15,302	9,667
Non-Cash In-Kind; Included as Expenditures Below (Note 2)									246,885
Counties of Atlantic and Cape May Stormwater Discharge Program	24,210	25,000						25,000	25,000
Other Income	2,188							24,210	24,815
NRCS Control Agreement Seasonal NFWF/RCPP Agreement			76,541				14,143	2,188	2,677
NACD TA Grant				6,381				14,143	14,252
NRCS CET Agreement					6,381			76,541	76,904
CMPMC BLM Agreement					6,573			6,381	
<b>Total Support and Revenue</b>	<b>41,700</b>	<b>437,751</b>	<b>76,541</b>	<b>6,381</b>	<b>6,381</b>	<b>6,573</b>	<b>14,143</b>	<b>589,470</b>	<b>839,500</b>
<b>Expenditures</b>									
Salaries and Wages	\$	\$ 303,946	\$ 41,332	\$ 4,550	\$ 4,550	\$ 4,410	\$ 9,522	\$ 368,310	\$ 346,349
Fringe Benefits		34,747	35,209	745	745	491	689	72,626	68,064
Professional Development		6,989						6,989	10,508
Postage		2,064						2,064	1,828
Equipment Rental		1,180						1,180	724
Board Meetings & Training		1,087						1,087	

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, 2018 AND 2017**

	Unrestricted	Temporarily Restricted Funds						Totals for the Period ended		
		Chapter 251	NFWF	NACD Tech. Assist.	Civil Engineering Tech. Assist.	Cape May PMC-BLM	PMC - Seasonal	Fixed Asset Fund	June 30, 2018	June 30, 2017
Expenditures (Continued)										
Supplies	\$	\$ 2,792	\$	\$	\$	\$	\$	\$ 2,792	\$ 2,714	
Miscellaneous		138						138	181	
Professional Fees		5,478		581	581	598	1,179	8,417	7,631	
Communications		4,980						4,980	5,113	
Insurance		119,116		505	505	1,074	2,753	123,953	133,861	
Conservation and Education		3,140						3,140	3,937	
Dues		1,810						1,810	2,105	
Vehicle		3,592						3,592	2,607	
Intern Tuition Reimbursement		3,000						3,000	3,000	
Indirect Costs (Note 2)										
State									30,000	
Federal									216,885	
Capital Acquisitions		310						310	1,015	
Refund SE & SC Fees									655	
Depreciation							5,823	5,823	6,119	
<b>Total Expenditures</b>		<b>494,369</b>	<b>76,541</b>	<b>6,381</b>	<b>6,381</b>	<b>6,573</b>	<b>14,143</b>	<b>5,823</b>	<b>610,211</b>	<b>843,296</b>
Excess (Deficiency) of Support and Revenue Over Expenditures	41,700	(56,618)						(5,823)	(20,741)	(3,796)
Net Position, Beginning of Year	628,144							6,676	634,820	603,780
Interfund Transfers	(72,967)	56,618		6,381	6,573	3,395			-	34,836
Transfers to Reserves	(279,831)								(279,831)	
<b>Net Position, End of Year to Exhibit A</b>	<b>\$ 317,046</b>	<b>\$</b>	<b>\$</b>	<b>\$ 6,381</b>	<b>\$ 6,573</b>	<b>\$ 3,395</b>	<b>\$ 853</b>	<b>\$ 334,248</b>	<b>\$ 634,820</b>	

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

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

	<u>Totals for the Period ended</u>	
	<u>12 Months Ended</u> June 30, 2018	<u>12 Months Ended</u> June 30, 2017
Cash Flows Provided (Used) by Operating Activities		
Excess (Deficiency) of Support and Revenue over Expenditures	\$ (20,741)	\$ (3,796)
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	5,823	6,119
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(6,835)	(22,198)
(Increase) Decrease in Prepaid Expense	1,027	(333)
(Decrease) Increase in Payroll and Payroll Taxes Payable	3,051	1,569
(Decrease) Increase in Amt. Due Cape May Plant	3,794	(2,414)
(Decrease) Increase in Accounts Payable	(2,575)	(1,399)
(Decrease) Increase in Unearned Revenue	8,619	
Net Cash (Used) by Operating Activities	(7,837)	(22,452)
Net (Decrease) in Cash	(7,837)	(22,452)
Cash and Cash Equivalents - Beginning of Year	1,725,608	1,748,060
Cash and Cash Equivalents - End of Year	\$ 1,717,771	\$ 1,725,608

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, 2018 AND 2017**

**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, 2018, the District had only Unrestricted and Temporarily Restricted Net Position.

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

**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

**Basis of Accounting**

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, 2018 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, 2018 AND 2017**

**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 no longer required to be reported in the annual audit of the Soil Conservation District under the State Soil Conservation Committee.

**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.

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3. **RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL EXPENDITURES (CONT'D)**

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, 2018 was \$718,170, as compared with \$438,339 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.

6. **CONCENTRATION OF CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2018, the District's bank balance of \$1,729,256 was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 750,000
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name	979,256
	<hr/>
	\$ 1,729,256

**CAPE-ATLANTIC SOIL CONSERVATION DISTRICT**  
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**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. PENSION**

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

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who are enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

**Public Employees' Retirement System**

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.