

Report of Audit

on the

*Financial Statements
and Supplementary Schedules*

of the

*Freehold
Soil Conservation
District*

in

*Freehold
New Jersey*

for the

*Year Ended
June 30, 2016*

FREEHOLD SOIL CONSERVATION DISTRICT

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PART I

INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
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FINANCIAL STATEMENTS

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ROSTER OF OFFICIALS



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Freehold Soil Conservation District
Freehold, New Jersey 07728

Report on the Financial Statements

We have audited the accompanying statement of net position - regulatory basis of the various individual funds and account groups of the Freehold Soil Conservation District, as of June 30, 2016, the related statement of activities and changes in net position - regulatory basis of the various individual funds for the year then ended and the statement of cash flows - all funds combined - regulatory basis for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's regulatory basis 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 regulatory basis of accounting prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture. 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture (the "Committee"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory basis 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 controls 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 presentation of the regulatory basis financial statements.

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

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the regulatory basis financial statements, the regulatory basis financial statements are prepared by the Freehold Soil Conservation District on the basis of the financial reporting provisions prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory 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 net position of the various individual funds and account groups of the Freehold Soil Conservation District as of June 30, 2016, or the results of its activities and changes in net position for the year then ended or its cash flows – all funds combined for the year ended June 30, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis statement of net position of the various individual funds and account groups as of June 30, 2016, the regulatory basis statement of activities and changes in net position for the year then ended and the regulatory basis statement of cash flows – all funds combined for the year ended June 30, 2016 in accordance with the basis of financial reporting prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture as described in Note 1.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freehold Soil Conservation District's regulatory basis financial statements. The supplementary information and data and schedule of expenditures of federal awards listed in the table of contents as required by the State Soil Conservation Committee of the New Jersey Department of Agriculture are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Freehold Soil Conservation District's internal control over financial reporting and on our tests 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 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 the Freehold Soil Conservation District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

September 30, 2016



SUPLEE, CLOONEY & COMPANY

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**INDEPENDENT AUDITOR'S 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
Freehold Soil Conservation District
Freehold, New Jersey 07728

We have audited, in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various individual funds and account groups of the Freehold Soil Conservation District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated September 30, 2016. Our report disclosed that, as described in Note 1 to the financial statements, the Freehold Soil Conservation District prepares its financial statements on a basis of accounting prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Freehold Soil Conservation District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 those 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 Freehold Soil Conservation District'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 Freehold Soil Conservation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

September 30, 2016

FREEHOLD SOIL CONSERVATION DISTRICT
STATEMENT OF NET POSITION - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Chapter 251 Reserves	Grant Fund	Scholarship Fund	Temporarily Restricted Equipment Fund	Subtotal	Total
<u>Assets</u>							
Current Assets:							
Cash, Savings and Temporary Investments							
Operating Funds	\$ 964,339.24	\$ 5,310,456.05	\$ 135,069.67	\$ 112,273.82	\$	\$ 5,557,799.54	\$ 6,522,138.78
Accounts Receivable	12,439.83	71,054.72				71,054.72	83,494.55
Interfunds		228,541.87		250.00		228,791.87	228,791.87
Total Current Assets	<u>976,779.07</u>	<u>5,610,052.64</u>	<u>135,069.67</u>	<u>112,523.82</u>		<u>5,857,646.13</u>	<u>6,834,425.20</u>
Property, Plant and Equipment:							
Vehicles, Furniture and Equipment					296,240.27	296,240.27	296,240.27
Less: Accumulated Depreciation					(204,335.76)	(204,335.76)	(204,335.76)
Total Property, Plant and Equipment					<u>91,904.51</u>	<u>91,904.51</u>	<u>91,904.51</u>
Total Assets	<u>\$ 976,779.07</u>	<u>\$ 5,610,052.64</u>	<u>\$ 135,069.67</u>	<u>\$ 112,523.82</u>	<u>\$ 91,904.51</u>	<u>\$ 5,949,550.64</u>	<u>\$ 6,926,329.71</u>
Liabilities and Net Position:							
Current Liabilities:							
Accounts Payable	\$ 2,918.50	\$ 13,740.00	\$	\$	\$	\$ 13,740.00	\$ 16,658.50
Accrued Expenses	542.35	45,887.25				45,887.25	46,429.60
Interfunds	228,791.87						228,791.87
Total Liabilities	<u>232,252.72</u>	<u>59,627.25</u>				<u>59,627.25</u>	<u>291,879.97</u>
Net Position:							
Unrestricted Net Position	744,526.35	(1,470,282.88)				(1,470,282.88)	(725,756.53)
Temporarily Restricted Net Position		7,020,708.27	135,069.67	112,523.82	91,904.51	7,360,206.27	7,360,206.27
Total Net Position	<u>744,526.35</u>	<u>5,550,425.39</u>	<u>135,069.67</u>	<u>112,523.82</u>	<u>91,904.51</u>	<u>5,889,923.39</u>	<u>6,634,449.74</u>
Total Liabilities and Net Position	<u>\$ 976,779.07</u>	<u>\$ 5,610,052.64</u>	<u>\$ 135,069.67</u>	<u>\$ 112,523.82</u>	<u>\$ 91,904.51</u>	<u>\$ 5,949,550.64</u>	<u>\$ 6,926,329.71</u>

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

FREEHOLD SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Chapter 251 Reserves	Grant Fund	Temporarily Restricted			Subtotal	Total
				Scholarship Fund	Equipment Fund			
Support and Revenues:								
Soil Erosion and Sediment Control Act Fees (Net)	\$	\$ 2,978,854.11	\$	\$	\$	\$ 2,978,854.11	\$ 2,978,854.11	\$
Interest on Deposits	1,878.55	64,400.00	38.48	23.13		64,461.61	66,340.16	
Transfer of Chapter 251 Interest	32,200.00						32,200.00	
County Agricultural Grant	3,790.50						3,790.50	
Requests for Authorizations Fees	34,212.50	34,212.50				34,212.50	68,425.00	
Monmouth County GIS Base Map Fees	48,975.00						48,975.00	
Grants			90,000.00			90,000.00	90,000.00	
Miscellaneous	2,953.51						2,953.51	
Non-Cash In-Kind; included as Expenditures Below		39,000.00				39,000.00	39,000.00	
Total Support and Revenues	<u>124,010.06</u>	<u>3,116,466.61</u>	<u>90,038.48</u>	<u>23.13</u>	<u>0.00</u>	<u>3,206,528.22</u>	<u>3,330,538.28</u>	
Expenditures and Net Position Released from Restrictions:								
Salaries, Wages and Benefits	12,143.66	1,641,871.05				1,641,871.05	1,654,014.71	
Professional Services		13,111.15				13,111.15	13,111.15	
Materials and Supplies	1,760.00	31,307.95				31,307.95	33,067.95	
Vehicles and Equipment	1,500.00	13,186.53				13,186.53	14,686.53	
Building and Utilities	8,000.00	91,848.51				91,848.51	99,848.51	
Professional Development and Public Information	10,200.00	17,807.30				17,807.30	28,007.30	
Insurance	900.00	23,927.98				23,927.98	24,827.98	
Scholarships	6,000.00						6,000.00	
Vehicles and Equipment Purchases		24,446.27				24,446.27	24,446.27	
State Level Administrative and Technical Support		39,000.00				39,000.00	39,000.00	
Grants			32,008.63			32,008.63	32,008.63	
Depreciation					43,205.29	43,205.29	43,205.29	
Transfer of Chapter 251 Interest		32,200.00				32,200.00	32,200.00	
Total Expenditures and Net Position Released from Restrictions	<u>40,503.66</u>	<u>1,928,706.74</u>	<u>32,008.63</u>	<u>0.00</u>	<u>43,205.29</u>	<u>2,003,920.66</u>	<u>2,044,424.32</u>	
Excess (Deficiency) of Support and Revenue Over Expenditures	83,506.40	1,187,759.87	58,029.85	23.13	(43,205.29)	1,202,607.56	1,286,113.96	
Adjustments:								
Purchase/(Disposition) of Property and Equipment					80,649.25	80,649.25	80,649.25	
Transfers of Net Position	6,000.00			(6,000.00)		(6,000.00)		
Adjusted Total - Increase (Decrease)	89,506.40	1,187,759.87	58,029.85	(5,976.87)	37,443.96	1,277,256.81	1,366,763.21	
Net Position June 30, 2015	<u>655,019.95</u>	<u>4,362,665.52</u>	<u>77,039.82</u>	<u>118,500.69</u>	<u>54,460.55</u>	<u>4,612,666.58</u>	<u>5,267,686.53</u>	
Net Position June 30, 2016	<u>\$ 744,526.35</u>	<u>\$ 5,550,425.39</u>	<u>\$ 135,069.67</u>	<u>\$ 112,523.82</u>	<u>\$ 91,904.51</u>	<u>\$ 5,889,923.39</u>	<u>\$ 6,634,449.74</u>	

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

FREEHOLD SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Excess of Support and Revenue over Expenditures	\$ 1,286,113.96
Adjustments to Reconcile Excess of Support and Revenue Over Expenditures to Net Cash Provided by Operating Activities:	
Depreciation	43,205.29
Purchase of Property and Equipment	80,649.25
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(35,154.05)
Increase/(Decrease) in Accounts Payable	228.50
Increase/(Decrease) in Accrued Expenses	11,543.08
Net Cash Provided/(Used) by Operating Activities	<u>1,386,586.03</u>
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	<u>(80,649.25)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(80,649.25)</u>
Net Increase/(Decrease) in Cash, Savings and Temporary Investments	1,305,936.78
Cash, Savings and Temporary Investments June 30, 2015	<u>5,216,202.00</u>
Cash, Savings and Temporary Investments June 30, 2016	<u>\$ 6,522,138.78</u>

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

FREEHOLD SOIL CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Freehold 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 1975, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources and enhance soil quality.

B. Financial Statement Presentation

The District is required to report information regarding its net position and activities according to three classes of net position: 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, at any time, as determined by management. Temporarily restricted net position is either restricted as to a specific program, a specific time period or both, but eventually, will be expended by the District. Permanently restricted net position can never be expended, but benefit the District through investment earnings on such positions. At June 30, 2016, the District had only unrestricted and temporarily restricted net position.

C. Basis of Accounting

The accounting policies of the Freehold Soil Conservation District (the "District") conform to accounting principles and practices prescribed by the State of New Jersey, Department of Agriculture, State Soil Conservation Committee.

All of the District's funds are accounted for using the regulatory basis of accounting. Support and revenues other than Chapter 251, are recognized when earned and expenditures, other than Chapter 251 related costs, are recorded when incurred. Chapter 251 revenues are recorded when received; Chapter 251 costs are accrued when incurred.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net positions, support, revenues and expenditures. Fixed asset purchases are recorded in the fund

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

of acquisition with an appropriate transfer to the equipment fund. Accumulated depreciation is reported in the statement of net position.

D. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

E. Cash and Cash Equivalents

Operating funds and temporary investments consist of demand deposits and temporary investments in the form of certificates of deposit held at various financial institutions as well as amounts on deposit with the State of New Jersey Cash Management Fund. State statutes authorize governmental units to invest in obligations as described in Note 2.

F. Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. The principal estimated useful lives used in computing the depreciation provisions are as follows:

Equipment	5 years
Vehicles	5 years
Furniture	7 years
Building and Improvements	40 years

G. Support and Expenses

Contributions and restricted grant revenues are measured at their fair values and are reported as an increase in net position. 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 donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

H. Accounting and Financial Reporting for Pensions

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accounting and Financial Reporting for Pensions (Continued)

pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accounting and Financial Reporting for Pensions (Continued)

deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, entities are required to recognize the pension liability in the Statement of Activities and Changes in Net Position and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the statement of net position.

The District does not follow GAAP accounting principles and, as such, does not follow GASB requirements with respect to recording the net pension liability as a liability on their statement of net position. However, N.J.A.C.5:30 6.1(c)(2) requires entities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

NOTE 2: CASH AND CASH EQUIVALENTS

The District considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements for the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund (NJ CMF). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

capital funds of not less than \$25,000,000.00.

The Freehold Soil Conservation District had the following cash and cash equivalents at June 30, 2016:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Outstanding Checks</u>	<u>Petty Cash Funds</u>	<u>Total</u>
Checking	\$2,384,336.81	\$213,831.74	\$	\$2,170,505.07
Cert.'s of Deposit	4,350,000.00			4,350,000.00
NJ CMF	1,533.71			1,533.71
Petty Cash			100.00	100.00
	<u>\$6,735,870.52</u>	<u>\$213,831.74</u>	<u>\$ 100.00</u>	<u>\$6,522,138.78</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2016, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on deposit in the bank of \$6,735,870.52, \$750,000.00 was covered by Federal Depository Insurance, \$5,984,336.81 was covered under the provisions of NJGUDPA and \$1,533.71 was on deposit with the New Jersey Cash Management Fund. The New Jersey Cash Management Fund is an investment pool and is not insured by the FDIC or GUDPA.

B. Investments

The purchase of investments by the District is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Freehold Soil Conservation District had no investments in qualified securities at June 30, 2016.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

<u>Fund</u>	<u>Unrestricted</u>	<u>Chapter 251 Reserves</u>
RFA	\$ 8,680.00	\$ 16,120.00
Monmouth County Grant	947.75	
Budget Refund C. Davidson	2,812.08	
Accrued Interest Receivable		49,934.72
Open Space Conservation Cooperative		5,000.00
	<u>\$ 12,439.83</u>	<u>\$ 71,054.72</u>

NOTE 4: ACCOUNTS PAYABLE

Accounts payable consist of the following:

<u>Fund</u>	<u>Unrestricted</u>	<u>Chapter 251 Reserves</u>
Open Space Conservation Cooperative	\$ 2,918.50	\$
SSCC RFAA		7,440.00
SSCC Applications		6,300.00
	<u>\$ 2,918.50</u>	<u>\$ 13,740.00</u>

NOTE 5: TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net assets include the following:

<u>Fund</u>	<u>Chapter 251 Reserves</u>	<u>Grant Fund</u>	<u>Scholarship Fund</u>
Reserve for Future Soil Erosion and Sediment Control Act Expenditures	\$ 6,980,708.27	\$	\$
Reserve for Future Legal Costs	40,000.00		
Grant Fund		135,069.67	
Scholarship Fund			112,523.82
	<u>\$ 7,020,708.27</u>	<u>\$ 135,069.67</u>	<u>\$ 112,523.82</u>

Chapter 251 funds shall be segregated from other fund positions for expenditure in accordance with the purpose that they were received, i.e., the administration of the Soil Erosion and Sediment Control Act program, until the completion of the project(s). After a project is completed, any remaining funds for such completed project(s) that are not refunded shall be retained in the reserve fund position, as part of temporarily restricted net position.

The Reserve Fund Net Position shall be evaluated annually by the District Board to determine its adequacy based on the Chapter 251 workload obligations remaining to be completed.

NOTE 6: NON-CASH SUPPORT

Non-cash support consists of:

Direct Support - District supervisor's travel and per diem.

Indirect Support - Estimated proportional allocation of State level administrative and technical support.

The amount provided by outside governmental sources to assist in the operation of the District is as follows:

Indirect Support \$ 39,000.00

NOTE 7: PENSION PLANS

Plan Description

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report

NOTE 7: PENSION PLANS (CONTINUED)

Plan Description (Continued)

may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability benefits and medical benefits to certain qualified plan members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2015-16 PERS provides for employee contributions of 7.21 of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Certain portions of the costs are contributed by the employees. The District's share of pension costs, which is based upon the annual billings received from the State, amounted to \$124,157.00 for 2014, \$119,852.00 for 2015 and \$130,226.00 for 2016.

All contributions were equal to the required contributions for each of the three years, respectively.

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating entity municipality as of June 30, 2016. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Under accounting principles and practices prescribed by the State Soil Conservation Committee of the New Jersey Department of Agriculture, any unfunded net pension liability of the entity, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at June 30, 2016.

Public Employees Retirement System (PERS)

At June 30, 2015, the State reported a net pension liability of \$3,400,261.00 for the District's proportionate share of the total net pension liability. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.0151472819 percent, which was an increase of 0.0006089392 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the State recognized an actuarially determined pension expense of \$235,840.00 for the District's proportionate share of the total pension expense. The pension expense recognized in the District's financial statements based on the April 1, 2016 billing was \$130,226.00.

At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$81,118.00
Changes of assumptions		\$365,161.00
Net difference between projected and actual earnings on pension plan investments	\$54,670.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	\$34,232.00	\$96,726.00
District contributions subsequent to the measurement date		\$130,226.00
	<u>\$88,902.00</u>	<u>\$673,231.00</u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the District's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$83,841.00
2017	\$83,841.00
2018	\$83,841.00
2019	\$124,395.00
2020	\$78,185.00

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows

	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$5,823,297,595	\$1,452,705,538
Collective deferred inflows of resources	1,215,190,347	\$2,146,719,012
Collective net pension liability - local	22,447,996,119	18,722,735,003
District's Proportion	0.0151472819%	0.0145383427%

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following assumptions:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Inflation	3.01 Percent	3.04 Percent
Salary Increases (based on age)		
2012-2021	2.15-4.40 Percent	2.15-4.40 Percent
Thereafter	3.15-5.40 Percent	3.15-5.40 Percent
Investment Rate of Return	7.90 Percent	7.90 percent

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 and June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
Core Bond			1.00%	2.49%
Intermediate Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad U.S. Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Returns	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		
	<u>100.00%</u>		<u>100.00%</u>	

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.30% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
District's proportionate share of the pension liability	\$4,226,109.00	\$3,400,261.00	2,707,877.00

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

The District provides Post Retirement Benefits to certain employees, per the terms of their various labor agreements, which have retired from the District after twenty-five (25) years of service. These benefits include health insurance and prescription coverage.

During the year ended June 30, 2016, there was one (1) District employee who received benefits under this plan.

Plan Description - The District contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.* to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP.

The future value of benefits paid is not required to be reported in the financial statements as presented and has not been determined, but is probably material. Under current New Jersey budget and financial reporting requirements, the District will not have to provide any amounts in excess of their current cash costs or recognize any long-term obligations on their statement of net position. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy - Contributions to pay for the health premiums of participating employees in the SHBP are billed to the District on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The District's contributions to SHBP for the years ended June 30 2016, 2015 and 2014 were \$6,046.68, \$5,724.78 and \$5,513.64 respectively, which equaled the required contributions for each year.

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Unrestricted	\$	\$ 228,791.87
Chapter 251 Reserves	228,541.87	
Scholarship Fund	<u>250.00</u>	<u></u>
	\$ <u>228,791.87</u>	\$ <u>228,791.87</u>

NOTE 10: LITIGATION

The Attorney's letter to the District did not indicate any litigation, claims or contingent liabilities that are either not covered by the District's insurance carrier or would have a material financial impact on the District.

NOTE 11: RELATED PARTIES

The Freehold Soil Conservation is the lead agency in administering a grant made available from the Natural Resources Conservation Service of the United States Department of Agriculture. In order to administer the grant, the District was required to establish a non-profit corporation. In accordance with the terms of the grant agreement, the District established the Open Space Conservation Cooperative, a non-profit corporation separate and apart from the District itself. The activities of the Open Space Conservation Cooperative are not a part of the activities of the District and therefore are not reflected in the District's financial statements. However, the District through its' own funds and the Chapter 251 Reserves has provided seed funding to the Cooperative which when the grant is up and running, the Cooperative will repay the District and the Chapter 251 Reserves.

The following receivables and payables are reflected on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>
Unrestricted	\$	\$ 2,918.50
Chapter 251 Reserves	<u>5,000.00</u>	<u></u>
	\$ <u>5,000.00</u>	\$ <u>2,918.50</u>

NOTE 12: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through September 30, 2016 which is the date the financial statements were available to be issued. Based upon this evaluation, the District has determined that there are no subsequent events that need be disclosed.

FREEHOLD SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

YEAR ENDED JUNE 30, 2016

<u>Members</u>	<u>Title</u>	<u>Surety Bond</u>
Charles S. Buscaglia	Chairman	
Robert B. Dreyer	Vice-Chairman	
Donald C. Patterson	Treasurer	\$250,000
Roger Gravatt	Supervisor	
Wayne Van Hise	Supervisor	
Ines M. Zimmerman	District Manager	
Michael Hill	Assistant District Manager	
Christina F. LaBianca	Administrative Services Manager	

There is an Employee Dishonesty Bond for all employees in the amount of \$250,000 issued by the Travelers Casualty and Surety Company of America.

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PART II

SUPPLEMENTARY DATA

FREEHOLD SOIL CONSERVATION DISTRICT

SCHEDULE OF BUDGET VERSUS ACTUAL EXPENDITURES - OPERATING FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED			TEMPORARILY RESTRICTED		
	MODIFIED BUDGET	ACTUAL	UNDER/(OVER) BUDGET	MODIFIED BUDGET	ACTUAL	UNDER/(OVER) BUDGET
Expenditures:						
Salaries, Wages and Benefits	\$ 12,143.66	\$ 12,143.66	\$	\$ 1,686,693.34	\$ 1,641,871.05	\$ 44,822.29
Professional Services				16,975.00	13,111.15	3,863.85
Materials and Supplies	1,760.00	1,760.00		32,290.00	31,307.95	982.05
Vehicles and Equipment	1,500.00	1,500.00		19,440.00	13,186.53	6,253.47
Building and Utilities	8,000.00	8,000.00		94,375.00	91,848.51	2,526.49
Professional Development and Public Information	10,200.00	10,200.00		38,330.00	17,807.30	20,522.70
Insurance	900.00	900.00		24,060.00	23,927.98	132.02
Scholarships	6,000.00	6,000.00				
Vehicles and Equipment Purchases				24,692.00	24,446.27	245.73
State Level Administrative and Technical Support				39,000.00	39,000.00	
Depreciation					43,205.29	(43,205.29)
Total Expenditures	\$ <u>40,503.66</u>	\$ <u>40,503.66</u>	\$ <u></u>	\$ <u>1,975,855.34</u>	\$ <u>1,939,712.03</u>	\$ <u>36,143.31</u>

FREEHOLD SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTORS NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD FROM TO	RECEIVED FISCAL YEAR 2016	EXPENDITURES FISCAL YEAR 2016	CUMULATIVE EXPENDITURES JUNE 30, 2016
<u>United States Environmental Protection Agency:</u>							
Indirect Programs:							
Passed Through State of New Jersey							
Department of Environmental Protection:							
Nonpoint Source Implementation Grants	66.460	13-100-042-4801-442-3610	\$ 500,087.79	07/01/13 Completion	\$ 90,038.48	\$ 32,008.63	\$ 135,018.12
Total Federal Assistance					<u>\$ 90,038.48</u>	<u>\$ 32,008.63</u>	<u>\$ 135,018.12</u>

Basis of Presentation: The Schedule of Federal Awards includes the federal grant activity of the Freehold Soil Conservation District on the accrual basis of accounting. The information presented in this schedule may differ from the information contained in the basic financial statements.

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

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PART III

GENERAL COMMENTS AND FINDINGS/RECOMMENDATIONS

An audit of the financial accounts and transactions of the Freehold Soil Conservation District (the "District") for the year ended June 30, 2016, has recently been completed. The results of the audit are herewith set forth.

SCOPE OF AUDIT

The audit covered all financial transactions of the District.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the District Supervisors.

Cash on hand was counted and cash balances were reconciled with independent certifications obtained directly from the depositories.

The support, revenues and expenditures for the District as shown on the Statement of Activities and Changes in Net Position are presented as recorded in the District's records.

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-4

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

Effective January 1, 2011, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00

The governing body of the District has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the District's Attorney's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

2016 Ford Escape

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

GENERAL COMMENTS (CONTINUED)

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-4 (CONTINUED)

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500.00 for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-4.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" as required by N.J.S.A. 40:11-5:

Auditor
Attorney
Computer Network Maintenance Services
Computer Database and Interface Services

CONTRACTS OR AGREEMENTS NOT REQUIRED TO BE ADVERTISED PER (N.J.S.A. 40A:11-6.1)

N.J.S.A. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... .. the contracting unit shall award the contract after soliciting at least two competitive quotations, if practicable."

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

OTHER COMMENTS

Interfund Balances

Transactions invariably occur in one fund which requires a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the statement of financial position shows the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the District's policy to review and liquidate all interfund balances on a periodic basis.

FOLLOW-UP OF PRIOR YEAR FINDINGS

There were no prior year findings.

FINDINGS/RECOMMENDATIONS

None

