

Upper Delaware Soil Conservation District Financial Statements

June 30, 2021



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Upper Delaware Soil Conservation District
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**Upper Delaware Soil Conservation District
Roster of Officials
June 30, 2021**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sylvia Kovacs	Chairwoman	2023
Natalie Burger	Vice Chairwoman	2023
Ben Jorritsma	Supervisor	2024

Management and Administrative Staff

Sandra Myers	District Manager
Tim Matthews	District Forester

Independent Auditors' Report

To the Board of Supervisors
Upper Delaware Soil Conservation District
Blairstown, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of Upper Delaware Soil Conservation District (the "District"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets and cash flows – all funds combined for the year then ended, and the related notes to the financial statements.

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 reporting 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 presentation of the financial statements.

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

To the Board of Supervisors
Upper Delaware Soil Conservation District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Delaware Soil Conservation District, as of June 30, 2021, and the results of its operations and changes in net assets for the year then ended in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1, these financial statements were prepared in conformity with 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. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the 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 the schedule of state awards and are not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Nisiroccia LLP
September 22, 2021
Mt. Arlington, New Jersey

Upper Delaware Soil Conservation District
Statement of Financial Position
June 30, 2021

	Unrestricted	Temporarily Restricted			Total
		Chapter 251	Equipment Fund	Special Projects	Total
					2021
<u>ASSETS</u>					
Current assets:					
Cash	\$ 201,825	\$ 883,534		\$ 15,006	\$ 1,100,365
Certificates of deposit		173,688			173,688
Cash restricted for performance bonds	95,915	23,500			119,415
Total current assets	<u>297,740</u>	<u>1,080,722</u>		<u>15,006</u>	<u>1,393,468</u>
Office furniture and equipment			\$ 53,178		53,178
Vehicles			57,489		57,489
Less: accumulated depreciation			(104,928)		(104,928)
Total fixed assets, net of accumulated depreciation			<u>5,739</u>		<u>5,739</u>
 Total assets	<u>\$ 297,740</u>	<u>\$ 1,080,722</u>	<u>\$ 5,739</u>	<u>\$ 15,006</u>	<u>\$ 1,399,207</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 6,530	\$ 6,250		\$ 6,250	\$ 12,780
Performance bonds payable		23,500			23,500
AWMP funds received in advance				\$ 15,006	15,006
Due to (from) other funds	352,038	(348,764)	\$ 3,392	(6,666)	(352,038)
Total current liabilities	<u>358,568</u>	<u>(319,014)</u>	<u>3,392</u>	<u>8,340</u>	<u>51,286</u>
Reserves:					
Reserve for future Soil Erosion and Sediment Control Act expenditures		1,011,439			1,011,439
Total reserves		<u>1,011,439</u>		<u>1,011,439</u>	<u>1,011,439</u>
Unrestricted net assets (deficit)	(60,828)				(60,828)
Temporarily restricted net assets		388,297	2,347	6,666	397,310
Total net assets	<u>(60,828)</u>	<u>388,297</u>	<u>2,347</u>	<u>6,666</u>	<u>336,482</u>
 Total liabilities and net assets	<u>\$ 297,740</u>	<u>\$ 1,080,722</u>	<u>\$ 5,739</u>	<u>\$ 15,006</u>	<u>\$ 1,399,207</u>

See Accompanying Notes to Financial Statements

Upper Delaware Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Unrestricted	Temporarily Restricted			Total
		Chapter 251	Equipment Fund	Special Projects	2021
Support and revenue:					
Soil Erosion and Sediment Control Act fees		\$ 296,746		\$ 296,746	\$ 296,746
Forestry income	\$ 85,051				85,051
Stormwater permit revenue			\$ 5,425	5,425	5,425
Farmland inspections income	87,980				87,980
Interest income	329	3,068		3,068	3,397
AWMP income			3,819	3,819	3,819
NRCS preserved farm inspections	20,309				20,309
Bonds income	24,250				24,250
Total support and revenue	<u>217,919</u>	<u>299,814</u>	<u>9,244</u>	<u>309,058</u>	<u>526,977</u>
Expenses:					
Salaries and wages	108,917	105,942	3,819	109,761	218,678
Supplies	2,261	1,172		1,172	3,433
Rent	11,191	10,303		10,303	21,494
Dues and subscriptions	125	125		125	250
Professional fees	6,909	6,489		6,489	13,398
Repairs and maintenance	2,156	2,156		2,156	4,312
Payroll tax expense	11,125	9,471		9,471	20,596
Telephone	4,765	4,666		4,666	9,431
Office expense	2,084	1,920		1,920	4,004
Travel and meals	2,786	2,882		2,882	5,668
Employee benefits	81,441	20		20	81,461
Insurance	14,287	125		125	14,412
Depreciation			\$ 3,180	3,180	3,180
Total expenses	<u>248,047</u>	<u>145,271</u>	<u>3,180</u>	<u>152,270</u>	<u>400,317</u>

See Accompanying Notes to Financial Statements

Upper Delaware Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Unrestricted	Temporarily Restricted			Total	
		Chapter 251	Equipment Fund	Special Projects	Total	
Excess (deficiency) of support and revenue over expenses	(30,128)	154,543	(3,180)	5,425	156,788	126,660
Net assets (deficit), beginning of year	(30,700)	286,987	5,527	1,241	293,755	263,055
Increase in Reserve for future Soil Erosion and Sediment Control Act expenditures		(53,233)			(53,233)	(53,233)
Net assets, end of year	<u>\$ (60,828)</u>	<u>\$ 388,297</u>	<u>\$ 2,347</u>	<u>\$ 6,666</u>	<u>\$ 397,310</u>	<u>\$ 336,482</u>

See Accompanying Notes to Financial Statements

**Upper Delaware Soil Conservation District
Statement of Cash Flows – All Funds Combined
For the Year Ended June 30, 2021**

	<u>2021</u>
Cash flows from operating activities:	
Excess of support and revenue over expenses	\$ 126,660
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:	
Depreciation	3,180
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	12,780
Performance bonds payable	23,500
AWMP funds received in advance	15,006
Net cash provided by operating activities	<u>181,126</u>
 Cash flows from investing activities	
Addition of fixed assets	(36,551)
Purchases of certificates of deposit	(102,377)
Net cash used in investing activities	<u>(138,928)</u>
 Net increase in cash and restricted cash	42,198
 Cash and restricted cash, beginning of year	<u>1,177,582</u>
 Cash and restricted cash, end of year	<u>\$ 1,219,780</u>
 Supplemental disclosure of non-cash activities	
Increase in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ 53,233</u>

See Accompanying Notes to Financial Statements

Upper Delaware Soil Conservation District
Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies

Organization

Warren and Sussex County Soil Conservation Districts were dissolved, and a new single district was formed on July 1, 2020 known as the Upper Delaware Soil Conservation District. The District operates 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.

Financial Statement Presentation

The District is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets can be expended by the District for any aspect of its operations, at any time, as determined by management. Temporarily restricted net assets are either restricted as to a specific program, a specific time period or both, but eventually, will be expended by the District. Permanently restricted net assets can never be expended but benefit the District through investment earnings on such assets. At June 30, 2021 the District had only unrestricted and temporarily restricted net assets.

Basis of Accounting

The financial statements of the District have been prepared in conformity with 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.

All District funds are accounted for using the modified accrual basis of accounting. Revenue is recorded when received in cash, except where it is susceptible to accrual as being both measurable and available. Expenses are recorded as liabilities are incurred. Recorded adjustments to the Reserve for Future Chapter 251 Expenditures Account and the Reserve for Future Legal Costs Account are limited to amounts required to bring their reserve account balances to their maximum limits. Generally, expenses benefiting more than one accounting period are not divided between years by recognizing prepaid expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles and practices prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the District's estimates may change in the near term.

Upper Delaware Soil Conservation District
Notes to Financial Statements
June 30, 2021

Total Columns

Total columns are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position.

Property and Equipment

Property and equipment are recorded at cost. Major renewals and betterments are charged to the property accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Depreciation is provided for over the estimated useful lives of the related assets using the straight-line method. The principal estimated useful lives used in computing the depreciation provisions are as follows:

Equipment	3-5 years
Furniture and fixtures	5-7 years
Vehicles	5 years

Cash and Temporary Investments

The District considers all highly liquid investments purchased within an original maturity of three months or less to be determined as cash. Operating funds consist of demand deposits at various financial institutions. At times, amounts on deposit exceed federally insured limits. Management reviews the soundness of its financial institutions and considers its risk negligible.

Performance Bonds

Performance bonds are received on projects where the work is not complete, but the contractor requests a temporary certificate of occupancy. The bonds are deposited in an escrow cash account and interest earned is for the benefit of the contractor. The District retains an administrative fee from the initial bond deposit and returns the bond to the contractor upon completion of the project. Bonded projects are typically completed within one year and, accordingly, the escrow cash is recorded as temporarily restricted in the current section of the statement of financial position.

Income Taxes

The District is a not-for profit governmental unit that is exempt from federal and state income taxes.

Subsequent events

Management has reviewed subsequent events and transactions that occurred after June 30, 2021 through the date of the independent auditors' report and the date the financial statements were available to be issued on September 22, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Upper Delaware Soil Conservation District
Notes to Financial Statements
June 30, 2021

2. Reserve for Future Soil Erosion and Sediment Control Act Expenditures

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to account for all related costs of future site inspections currently in progress, for which fees under the Soil Conservation Act, NJSA 4:24, et seq. have previously been collected. The current balance of the reserve is calculated on actual funds for each individual project that is still open at the end of each fiscal year plus 10% of the actual funds calculated. At June 30, 2021, the current balance of the reserve amounted to \$1,011,439.

3. Pension

District employees are enrolled in the Public Employees' Retirement System (PERS) of New Jersey. The State of New Jersey sponsors and administers this plan which covers substantially all District employees. As a general rule, all full-time employees are required to join the public employee retirement system.

Employees who are members of PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on a percentage of 5.0% of employees' annual compensation, as defined.

As of July 2012, the employees' annual contribution percentage began a yearly increase of 0.14% which will occur every July for the next six consecutive years. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

District contributions to the plan amounted to \$32,409 for the year ended June 30, 2021. The contributions represented 100% of the District's annual pension costs (APC).

Upper Delaware Soil Conservation District
Notes to Financial Statements
June 30, 2021

4. Certificates of Deposit

Financial assets of the District have been valued using level 2 inputs for the year ended June 30, 2021. All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Investments at June 30, 2021, are comprised of the following:

	June 30, 2021		
	Cost	Fair Value (Level 2)	Unrealized Appreciation
Certificates of deposit	\$ 173,383	\$ 173,688	\$ 305

Interest rates: 0.2% - 0.4%

Maturing: 12/4/21 - 7/15/22

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available. Financial assets of the District have been valued using level 2 inputs as of June 30, 2021.

5. Leases

At June 30, 2021, the District was obligated under an operating lease for its office space expiring in January 2024. The following schedule, by years, of future minimum lease payments required under the noncancellable operating lease agreement which has an initial lease term in excess of one year at June 30, 2021:

Years Ended June 30,	
2022	\$ 9,125
2023	9,425
2024	5,600
	\$ 24,150

6. Risks and Uncertainties

The COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Supplementary Information

**Upper Delaware Soil Conservation District
Schedule of Budget Versus Actual Revenue and Expenditures - All Funds Combined
For the Year Ended June 30, 2021**

	Total Funds		
	Budget (Unaudited)	Actual	Variance
Support and revenue:			
Soil Erosion and Sediment Control Act fees	\$ 200,000	\$ 296,746	\$ 96,746
Forestry income	82,000	85,051	3,051
Stormwater permit revenue	5,000	5,425	425
Farmland inspections income	48,000	87,980	39,980
Bonds income	5,000	24,250	19,250
Interest income	400	3,397	2,997
AWMP income	10,000	3,819	(6,181)
NRCS preserved farm inspections	8,000	20,309	12,309
Total support and revenue	<u>358,400</u>	<u>526,977</u>	<u>168,577</u>
Expenses:			
Salaries and wages	207,710	218,678	10,968
Rent	21,300	21,494	194
Dues and subscriptions	750	250	(500)
Professional fees	6,500	13,398	6,898
Repairs and maintenance	4,300	4,312	12
Payroll tax expense	15,973	20,596	4,623
Telephone	2,220	9,431	7,211
Office expense	3,700	7,437	3,737
Travel and meals	500	5,668	5,168
Employee benefits	84,200	81,461	(2,739)
Insurance	6,027	14,412	8,385
Depreciation		3,180	3,180
Total expenses	<u>353,180</u>	<u>400,317</u>	<u>47,137</u>
Excess of support and revenue over expenses	<u>\$ 5,220</u>	<u>\$ 126,660</u>	<u>\$ 121,440</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

**Upper Delaware Soil Conservation District
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2021**

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>Grant ID#</u>	<u>State Account Number</u>	<u>Grant Period</u>	<u>Grant Awards</u>	<u>Cumulative Program Disbursements</u>	<u>Current Year</u>	
						<u>Program Disbursements</u>	<u>Cash Received</u>
<u>State of New Jersey Department of Agriculture</u> Animal Waste Management Pollution	15-02	N/A	9/15/15 - 12/31/21	\$ 146,520	\$ 131,514	\$ 3,819	\$ -
Total State Awards					\$ 131,514	\$ 3,819	\$ -

See Independent Auditors' Report and Accompanying Notes to Financial Statements

Upper Delaware Soil Conservation District
Current Year Recommendations
June 30, 2021

Segregation of Duties

The Financial Accounting Manual for New Jersey Soil Conservation Districts, as adopted in August 2015, provides several internal control recommendations relative to the operations of the District. At present, the district manager is responsible for all accounting functions. She is responsible for cash disbursements, payroll, accruals, all journal entries, and financial statement preparation. Additionally, all bank statements are received and reconciled by the district manager and all cash deposits are made by the district manager or administrative assistant.

Although the small size of the District's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate noncompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

We recommend that management continually take the proper steps to segregate duties in certain areas where possible. Where not practical, management should determine ways to mitigate the effect on internal controls due to lack of segregation.