

**HUNTERDON COUNTY  
SOIL CONSERVATION DISTRICT**

**June 30, 2020**



**HUNTERDON COUNTY  
SOIL CONSERVATION DISTRICT**

**For the Year Ended June 30, 2020**

**TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1 - 3
Statement of Financial Position - Regulatory Basis	4 - 5
Statement of Activities - Regulatory Basis	6 - 7
Statement of Cash Flows - All Funds Combined - Regulatory Basis	8
Notes to the Financial Statements	9 - 26
Supplemental information	
Schedule of Budget Versus Actual Revenue and Expenditures - All Funds Combined - Regulatory Basis	27
Schedule of District Officials (unaudited)	28
Independent Auditors' 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	29 - 30
Schedule of Findings and Responses	31 - 32



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

---

## Independent Auditors' Report

To the Board of Supervisors  
Hunterdon County Soil Conservation District  
Frenchtown, New Jersey

We have audited the accompanying Financial Statements of Hunterdon County Soil Conservation District (a non-profit organization), which comprise the Statement of Financial Position - Regulatory Basis as of June 30, 2020 and the related Statements of Activities - Regulatory Basis and Cash Flows - All Funds Combined - Regulatory Basis for the year ended June 30, 2020 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 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.

### 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 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 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' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the 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.

### 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 are prepared in conformity with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual (a regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America to comply with the requirements of the New Jersey Department of Agriculture. Our opinion is not modified with respect to this matter.

### Opinion

In our opinion the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of Hunterdon County Soil Conservation District as of June 30, 2020, and the respective changes in financial position for the year then ended, in accordance with the financial reporting practices prescribed by the New Jersey Department of Agriculture as described in Note 1.

### Report on Summarized Comparative Information

We have previously audited the Hunterdon County Soil Conservation District's June 30, 2019 financial statements and we expressed an unmodified audit opinion on those audited statements in our report dated October 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information as identified in the Table of Contents as required by the New Jersey Department of Agriculture Accounting Manual is presented for additional analysis and is 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. Except for the information that is marked unaudited the information has been subjected to the auditing procedures applied in the audit of the financial statement 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 procedures in accordance with accounting principles generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of Hunterdon County 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 Hunterdon County Soil Conservation District's internal control over financial reporting and compliance.



**BKC, CPAs, PC**

November 20, 2020  
Flemington, New Jersey

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Statement of Financial Position - Regulatory Basis**  
**June 30, 2020**  
**With Summarized Financial Information as of June 30, 2019**

**ASSETS**

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2020	2019
Current assets					
Cash and cash equivalents	\$ 213,676	\$ -	\$ -	\$ 213,676	\$ 352,732
Cash - restricted	-	168,256	-	168,256	391,724
Certificates of deposit	356,384	-	-	356,384	-
Accounts receivable	1,650	-	-	1,650	1,600
Grants receivable	35,000	-	-	35,000	-
Prepaid insurance	3,916	-	-	3,916	2,105
Total current assets	<u>610,626</u>	<u>168,256</u>	<u>-</u>	<u>778,882</u>	<u>748,161</u>
Property, plant and equipment, net of accumulated depreciation of \$620,494	<u>-</u>	<u>-</u>	<u>818,053</u>	<u>818,053</u>	<u>847,355</u>
Total assets	<u>\$ 610,626</u>	<u>\$ 168,256</u>	<u>\$ 818,053</u>	<u>\$ 1,596,935</u>	<u>\$ 1,595,516</u>

See accompanying notes to the financial statements.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Statement of Financial Position - Regulatory Basis (continued)**  
**June 30, 2020**  
**With Summarized Financial Information as of June 30, 2019**

**LIABILITIES AND NET ASSETS**

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2020	2019
<b>Current liabilities</b>					
Current maturities of long-term debt	\$ -	\$ -	\$ 4,075	\$ 4,075	\$ 4,075
Accounts payable and accrued expenses	18,765	-	-	18,765	23,000
Intercompany payable (receivable)	375,850	(375,850)	-	-	-
Compliance bonds payable	-	166,535	-	166,535	390,000
Accrued pension	2,100	-	-	2,100	2,100
Accrued vacation and sick pay	49,948	-	-	49,948	45,796
Deferred revenue	-	-	-	-	44,066
<b>Total current liabilities</b>	<b>446,663</b>	<b>(209,315)</b>	<b>4,075</b>	<b>241,423</b>	<b>509,037</b>
<b>Long-term liability</b>					
Long-term debt, net of current maturities	-	-	9,168	9,168	13,243
Accrued pension	5,412	-	-	5,412	7,283
<b>Total long-term liabilities</b>	<b>5,412</b>	<b>-</b>	<b>9,168</b>	<b>14,580</b>	<b>20,526</b>
<b>Total liabilities</b>	<b>452,075</b>	<b>(209,315)</b>	<b>13,243</b>	<b>256,003</b>	<b>529,563</b>
<b>Reserves</b>					
Reserve for future soil erosion and sediment control act expenditure	-	377,571	-	377,571	285,870
<b>Net assets</b>					
Unrestricted (deficit) net assets	158,551	-	-	158,551	(49,954)
Temporarily restricted net assets	-	-	804,810	804,810	830,037
<b>Total net assets</b>	<b>158,551</b>	<b>-</b>	<b>804,810</b>	<b>963,361</b>	<b>780,083</b>
<b>Total reserves and net assets</b>	<b>158,551</b>	<b>377,571</b>	<b>804,810</b>	<b>1,340,932</b>	<b>1,065,953</b>
<b>Total liabilities, reserves and net assets</b>	<b>\$ 610,626</b>	<b>\$ 168,256</b>	<b>\$ 818,053</b>	<b>\$ 1,596,935</b>	<b>\$ 1,595,516</b>

See accompanying notes to the financial statements.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Statement of Activities - Regulatory Basis**  
**For the Year Ended June 30, 2020**  
**With Summarized Financial Information for the Year Ended June 30, 2019**

	<u>Temporarily Restricted</u>			<u>Total</u>	
	<u>Unrestricted</u>	<u>Chapter 251</u>	<u>Property and Equipment Fund</u>	<u>2020</u>	<u>2019</u>
Support and revenue					
Soil erosion and sediment control act fees	\$ -	\$ 604,068	\$ -	\$ 604,068	\$ 501,445
Hunterdon County grant	70,000	-	-	70,000	70,000
Intergrated crop management fees	12,601	-	-	12,601	23,347
Tree, map and conservation material sales, net of purchases	(525)	-	-	(525)	(275)
Rental income	82,845	-	-	82,845	82,845
Interest on savings and temporary investments	-	7,279	-	7,279	2,698
Solar income	10,180	-	-	10,180	5,920
Gain on sale of asset	-	-	-	-	500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total support and revenue	<u>\$ 175,101</u>	<u>\$ 611,347</u>	<u>\$ -</u>	<u>\$ 786,448</u>	<u>\$ 686,480</u>

See accompanying notes to the financial statements.



**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Statement of Activities - Regulatory Basis (continued)**  
**For the Year Ended June 30, 2020**  
**With Summarized Financial Information for the Year Ended June 30, 2019**

	<u>Temporarily Restricted</u>			<u>Total</u>	
	<u>Unrestricted</u>	<u>Chapter 251</u>	<u>Property and Equipment Fund</u>	<u>2020</u>	<u>2019</u>
Expenses					
Salaries and wages	\$ -	\$ 205,550	\$ -	\$ 205,550	\$ 216,994
Fringe benefits	-	186,216	-	186,216	199,244
Management	-	11,911	-	11,911	22,000
Administrative services	-	5,746	-	5,746	5,441
Professional fees	-	7,693	-	7,693	7,691
Travel and related expense	-	7,886	-	7,886	8,818
Utilities	-	2,039	-	2,039	3,762
Solar expense	-	10,556	-	10,556	7,064
Maintenance and repairs	-	14,398	-	14,398	12,191
Insurance	-	16,131	-	16,131	20,341
Telephone	-	3,340	-	3,340	3,311
Materials and supplies	-	7,794	-	7,794	7,220
Dues	-	1,674	-	1,674	1,696
Interest	-	1,233	-	1,233	1,353
Depreciation	-	-	29,302	29,302	29,322
Total expenses	<u>-</u>	<u>482,167</u>	<u>29,302</u>	<u>511,469</u>	<u>546,448</u>
Change in net assets	175,101	129,180	(29,302)	274,979	140,032
Transfer of funds	<u>33,404</u>	<u>(37,479)</u>	<u>4,075</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of support over expenses	208,505	91,701	(25,227)	274,979	140,032
Total reserves and net assets - beginning of year	<u>(49,954)</u>	<u>285,870</u>	<u>830,037</u>	<u>1,065,953</u>	<u>925,921</u>
Total reserves and net assets - end of year	<u>\$ 158,551</u>	<u>\$ 377,571</u>	<u>\$ 804,810</u>	<u>\$ 1,340,932</u>	<u>\$ 1,065,953</u>

See accompanying notes to the financial statements.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Statement of Cash Flows - All Funds Combined - Regulatory Basis**  
**For the Year Ended June 30, 2020**  
**With Summarized Financial Information for the Year Ended June 30, 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Excess of support over expenses	\$ 274,979	\$ 140,032
Adjustments to reconcile excess of support over expenses net cash (used in) provided by operating activities		
Depreciation	29,302	29,322
Interest on Certificates of Deposits	(6,384)	-
Gain on sale of asset	-	(500)
(Increase) decrease in assets		
Accounts receivable	(50)	400
Grant receivable	(35,000)	-
Prepaid insurance	(1,811)	1,599
(Decrease)Increase in liabilities		
Accounts payable and accrued expenses	(4,235)	(2,509)
Compliance bond payable	(223,465)	240,000
Accrued vacation and sick pay	4,152	(11,112)
Accrued pension	(1,871)	(1,727)
Deferred revenue	(44,066)	(5,215)
Total adjustments	<u>(283,428)</u>	<u>250,258</u>
Net cash (used in) provided by operating activities	(8,449)	390,290
 Cash flows from investing activities		
Investment in of Certificate of Deposits	(350,000)	-
Proceeds from sale of vehicle	-	500
Net cash (used in) provided by financing activities	<u>(350,000)</u>	<u>500</u>
 Cash flows from financing activities		
Principal payments on debt	(4,075)	(4,075)
Net cash used in financing activities	<u>(4,075)</u>	<u>(4,075)</u>
 Net (decrease) increase in cash	(362,524)	386,715
 Cash and cash equivalents - beginning of year	<u>744,456</u>	<u>357,741</u>
 Cash and cash equivalents - end of year	<u><u>\$ 381,932</u></u>	<u><u>\$ 744,456</u></u>

See accompanying notes to the financial statements.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

Nature of organization

The Hunterdon County Soil Conservation District (the District) is one of fifteen Districts in the State of New Jersey organized by the New Jersey Department of Agriculture. 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. 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.

The District is not considered a part of Hunterdon County, as the County does not retain any control over the operations of the District.

Financial reporting and principles of accounting

The District is required to report information regarding its financial position and activities to three classes of 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 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, 2020, the District only has unrestricted and temporarily restricted net assets.

Basis of accounting

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

All the District funds are accounted for using the accrual basis of accounting. Support and revenue 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 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 assets, support and revenues and expenditures. Fixed asset purchases are recorded in the fund of acquisition with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the Statement of Financial Position.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Cash and cash equivalents

The District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Property 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 estimated useful lives used in computing the depreciation provisions are as follows:

Building and improvements	5 - 40 years
Equipment	5 - 7 years
Vehicles	5 - 7 years

Income taxes

The District is a special purpose subdivision of the New Jersey Department of Agriculture and is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

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 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 accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Prior year summarized financial information

The financial statements included certain prior year summarized comparative information in total but not by net asset class or by functional expense. Such information does not include the information necessary to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Concentration of credit risk  
 The District maintains its cash in bank accounts, which at times may exceed federally insured limits. At June 30, 2020, the District exceeded the federally insured limit by approximately \$77,000.

Note 3 - Restricted cash  
 The State of New Jersey requires bond money to be treated as restricted when additional work is required but the project is substantially completed. Bond money is returned upon completion of work.

Note 4 - Property, plant and equipment  
 Property, plant and equipment at June 30, 2020 are:

Land	\$ 250,130
Building and building improvements	1,041,308
Vehicles	64,299
Equipment	82,810
Total property and equipment	1,438,547
Less: accumulated depreciation	(620,494)
Property, plant and equipment, net	\$ 818,053

Depreciation expense was \$29,302 for the year ended June 30, 2020.

Note 5 - Short-term borrowing  
 The District has a revolving unsecured line of credit with a bank. The line is periodically reviewed by the bank but has no expiration date. Maximum borrowings under the line are \$100,000 with interest due monthly at a rate of prime plus 1.25%. There was no outstanding balance at June 30, 2020. The effective borrowing rate was 4.50% at June 30, 2020.

Note 6 - Long-term debt  
 The District borrowed \$24,448 during the year ended June 30, 2018. The note is to be repaid in 72 monthly installments of \$340. There is no interest on the loan. There was an outstanding balance of \$13,243 as of June 30, 2020. The truck purchased is collateral for the loan.

The amounts of long-term debt maturing during the next five years ending June 30, are as follows:

2021	\$ 4,075
2022	4,075
2023	4,075
2024	1,018

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Compliance bond payable  
 Compliance bond payable represents funds received in advance to assure compliance with the Soil Erosion and Sediment Control Act, Chapter 251, P.L. 1975. Upon issuance of the report of compliance, these funds are returned with simple interest added, less the permissible administrative fee.

Note 8- Temporarily restricted net assets  
 Restricted net assets consist of the net property plant and equipment less related liabilities.

Note 9 - Rental income  
 The District entered into a lease in April of 2012 to lease excess office space to a third party for 124 months. The base rent under the agreement is \$6,904 per month. The cost of real property leased is \$1,041,437, and the carrying amount is \$552,774.

Rent income for the year ended June 30, 2020 totaled \$82,845.

At June 30, 2020, future minimum lease income due under the agreement for the remaining years ending June 30 are as follows:

2021	\$	82,845
2022		82,845
2023		34,520

Note 10 - Pensions  
 Employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The two state-administered plans are:

- (1) The Public Employees' Retirement System
- (2) Defined Contribution Retirement Program

Public employee retirement system  
Plan description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)  
Public employee's retirement system (continued)  
Plan description (continued)

The following represents the Membership Tiers for PERS:

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

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. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation methodology

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages for each group as of June 30, 2019, are based on the ratio of each employer's contributions to the total employer contributions of the group for the State fiscal year ended June 30, 2019.

Recording of pension liability

The District's basis of accounting is a regulatory basis and there is no net PERS liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net PRES liability that is associated with the local participating employer.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)  
Public employee's retirement system (continued)

Contributions

The contribution policy for PERS is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State Fiscal Year 2019, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009.

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The balance owed was \$7,512 as of June 30, 2020.

The contribution rate was 7.50% of base salary effective July 1, 2018.

The District's contractually required contribution rate for the year ended June 30, 2020 was 12.05% of the District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The District contributed \$29,058 to PERS during the year ended June 30, 2020.

The components of the District's allocable share of the net pension liability for PERS as of the plan measurement date of June 30, 2019 is as follows:

Total pension liability	\$ 1,230,884
Plan fiduciary net position	692,630
Net pension liability	\$ 538,254

Plan fiduciary net position as a percentage of the total pension liability	56.27%
--	--------



**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)  
Public employee's retirement system (continued)  
Collective net pension liability and actuarial information  
Actuarial assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary increases (based on age)	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
Investment rate of return	7.00%

Preretirement mortality rates were based on the Pub-2010 General Below-Median Employee mortality table with 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees was based on Pub-2010 Non-Safety Disabled Retiree mortality table with 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on a Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, 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 100% of actuarially determined contributions for local employers.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

District's proportionate share of the net pension liability

Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 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 District's proportionate share of the collective net pension liability of as of June 30, 2019 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% point lower or 1% point higher than the current rate:

At current discount rate (5.28%)	\$	538,254
At a 1% lower rate (6.28%)		684,632
At a 1% higher rate (7.28%)		421,809

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,661	\$ 2,378
Changes in assumptions	53,747	186,826
Net difference between projected and actual earnings on pension plan investments	-	8,497
Payment made after measurement date	29,058	-
Changes in proportion and differences between Municipal contributions and proportionate share of contributions	26,713	67,137
Total	\$ 119,179	\$ 264,838

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

District's proportionate share of the net pension liability

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2020:

	Beginning Balance	Net Change in activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	\$ 11,108	\$ (1,447)	\$ 9,661
Changes of assumptions	95,980	(42,233)	53,747
Deferred inflows of resources			
Differences between expected and actual experience	(3,003)	625	(2,378)
Change of assumptions	(186,241)	(585)	(186,826)
Differences between projected and actual earnings on pension plan investments	(5,464)	(3,033)	(8,497)
Net changes in deferred outflows (inflows) of resources	\$ (87,620)	\$ (46,673)	\$ (134,293)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the District's contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (15,542)
2021	(50,419)
2022	(45,021)
2023	(21,140)
2024	(2,171)
Total	\$ (134,293)

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Pension expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2019 plan measurement date is as follows:

Service cost	\$	20,730
Interest on total pension liability		61,441
Member contributions		(14,278)
Administrative expense		378
Expected investment return net of investment expense		(38,124)
Pension expense related to specific liabilities of individual employers		(179)
Amortization of assumptions in changes or inputs		4,626
Amortization of expected versus actual experience		(14,138)
Amortization of projected versus actual investment earnings on pension plan investments		4,498
Pension expense	\$	24,954

The Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A 43:15:c-1 et seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established maximum compensation limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010, who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually. The District does not match any contributions. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program website: [www.prudential.com/njdcprp](http://www.prudential.com/njdcprp).

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Postemployment retirement benefits

*Plan description* - The District contributes to the State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pensions and Benefits. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information, please refer to the Division's Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation agreement.

The District has adopted a resolution to participate in the SHBP. The District also elected to reimburse certain retirees for the Federal Medicare Part B premiums. The reimbursements totaled \$2,819 for the year ended June 30, 2020.

*Funding Policy* - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement medical benefits under the plan have been funded on a pay-as-you-go basis.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Postemployment retirement benefits (continued)

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the District on a monthly basis. Premiums are funded entirely by the District and are based on the type of coverage selected by the employee.

The District's contributions to the SHBP for retirees' postretirement benefits for the year ended June 30, 2020 was \$55,948 which equaled the required benefit contribution for the year.

Allocation methodology

GASB Statement No 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employer's based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the Schedule of OPEB Amounts by Employer and Non-employer may result in immaterial differences.

Recording of Liability

The District's basis of accounting is a regulatory basis and does not report OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Components of net OPEB liability

The components of the collective net OPEB liability of the participating employers in the SHBP as of the June 30, 2019 plan measurement date is as follows:

Total OPEB liability	\$	864,947
Plan fiduciary net position		17,098
Net OPEB liability	\$	<u>847,849</u>

Plan fiduciary net position as a percentage of the total OPEB liability 1.98%

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Postemployment retirement benefits (continued)

Components of net OPEB liability (continued)

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. Salary increases are based on the defined benefit plan that the member is enrolled in and the member's age. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

<u>Inflation rate</u>	2.50%
Salary increases	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%

Actuarial assumptions used in the July 1, 2018 valuation were based on results of the PERS experience studies prepared for July 1, 2014 and June 30, 2018.

100% of active members are considered to participate in the plan upon retirement.

Healthcare trend assumptions

For Pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend after eight years. For post-65 medical benefits, the actual fully insured Medical Advantage trend rates for fiscal 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For Prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend after eight years.

Discount rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the state. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of net OPEB liability to changes in the discount rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB 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:

At current discount rate (3.50%)	\$ 847,849
At a 1% lower rate (2.50%)	907,497
At a 1% higher rate (4.50%)	740,191



**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Postemployment retirement benefits (continued)

Components of net OPEB liability (continued)

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

Healthcare cost trend rate	\$ 847,849
At a 1% lower rate (1% decrease)	715,480
At a 1% higher rate (1% increase)	1,016,707

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 247,944
Changes of assumptions	-	300,459
Net difference between projected and actual earnings on OPEB plan investments	698	-
Changes in proportion and differences between District contributions and proportionate share of contributions	105,734	81,820
Total	\$ 106,432	\$ 630,223

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30:

	Beginning Balance	Increases	Ending Balance
Deferred outflows of resources			
Differences between projected and actual investment earnings on OPEB plan investments	\$ 480	\$ 218	\$ 698
Deferred inflows of resources			
Difference between expected and actual experience	(184,301)	(63,643)	(247,944)
Changes of assumptions	(230,256)	(70,202)	(300,458)
Net changes in deferred outflows (inflows) of resources	\$ (414,077)	\$ (133,627)	\$ (547,704)

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Postemployment retirement benefits (continued)  
Components of net OPEB liability (continued)

<u>Year Ending June 30,</u>	
2020	\$ (89,203)
2021	(89,203)
2022	(89,258)
2023	(89,347)
2024	(89,427)
Thereafter	(101,266)
Total	<u>\$ (547,704)</u>

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for 2019, 2018 and 2017 amounts respectively.

OPEB expense

The components of allocable OPEB expense, which exclude OPEB expense related to specific liabilities of individual employers, for the years ended June 30, 2020 is as follows:

Service cost	\$ 41,722
Interest on total OPEB liability	39,812
Expected investment return	(706)
Administrative expense	593
Change in benefit terms	(119)
Current period recognition (amortization) of deferred inflows/outflows of resources	
Changes in assumptions	(50,659)
Difference between projected and actual investment earnings on OPEB plan investments	(38,769)
Investment earnings on open plan investments	224
Total OPEB (benefit) expense	<u>\$ (7,902)</u>

Note 12 - Related party

The District extended its contract with Conservation Management Services, LLC to provide services through December 31, 2019. The management fees paid for the year ended June 30, 2020 totaled \$11,911.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 13 - Reserve for Future Soil Erosion and Sediment Control Act (Ch. 251) Expenditures  
 Initial and subsequent reassessments are based on a standard fee chart. Charges against the applicants' deposits are based upon standard hourly rates of the District's employees performing the service. The Reserve represents fees from applicants which have not been used by the District.

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 received shall remain with the reserve balance total. 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 the reserve balances may be utilized for the Ch. 251 program or the District education program. Use of interest income is authorized at N.J.A.C. 2:90-1:12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007.

Note 14 - Solar energy lease  
 In December 2017, the District entered into an agreement with a company to purchase solar energy for a period of 15 years. Whereby the District is required to purchase all Kilowatt hours (KWH) at a rate of \$.279 per KWH. The following is the estimated solar energy payments based on estimated system production for the years ended June 30:

2021	\$	10,500
2022		10,443
2023		10,392
2024		10,344
2025		10,287
Thereafter		82,956

The District would then use the energy purchased for their electric needs and sell the remaining KWH to the utility company. The utility company will buy the Solar Renewable Energy Certificates (SRECS). An SREC is earned for each 1000 KWH produced.

The District has also entered into a site lease agreement to lease land to install solar panels for a period of 20 years for \$1 a year.

Note 15 - Supplemental cash flow information  
 The District paid \$1,233 in interest during the year ended June 30, 2020.

The current year increase in the reserve for Soil Erosion and Sediment Control Act Expenditures was \$91,701.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to the Financial Statements**

Note 16 - Subsequent events

On January 23 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future operations. Management is actively monitoring the impact of the global situation on its financial position, liquidity, operations, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the year ending June 30, 2020.

The District's management has determined that there are no material events or transactions that occurred subsequent to June 30, 2020 and through November 20, 2020, the date of the District's financial statement issuance, which require additional disclosure in the District's financial statements.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Schedule of Budget Versus Actual Revenue and Expenditures -**  
**All Funds Combined - Regulatory Basis**  
**For the Year Ended June 30, 2020**

	Total Funds		Under (Over) Budget
	Budget (Unaudited)	Actual	
Soil erosion and sediment control act fees	\$ 420,000	\$ 604,068	\$ (184,068)
Hunterdon County grant	70,000	70,000	-
Intergrated crop management fees	30,000	12,601	17,399
Tree, map and conservation material sales, net of purchases	(225)	(525)	300
Rental income	82,845	82,845	-
Interest on savings and temporary investments	2,500	7,279	(4,779)
Solar income	6,450	10,180	(3,730)
Miscellaneous income	100	-	100
Total support and revenue	611,670	786,448	(174,778)
Salaries and wages	199,813	205,550	(5,737)
Fringe benefits	223,500	186,216	37,284
Management	15,000	11,911	3,089
Administrative services	6,000	5,746	254
Professional fees	11,000	7,693	3,307
Travel and related expense	11,500	7,886	3,614
Utilities	5,500	2,039	3,461
Solar expense	10,570	10,556	14
Maintenance and repairs	17,720	14,398	3,322
Insurance	18,988	16,131	2,857
Telephone	3,500	3,340	160
Materials and supplies	9,150	7,794	1,356
Dues	2,705	1,674	1,031
Interest	300	1,233	(933)
Depreciation	76,424	29,302	47,122
Total expenses	611,670	511,469	100,201
Net change in assets	\$ -	\$ 274,979	\$ 274,979

See independent auditors' report.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Schedule of District Officials**  
**(Unaudited)**  
**June 30, 2020**

District Governing Body

---

Name	Title	Term Expires
John A. Van Nuys	District Chairperson	June 30, 2021
R. Gregory Manners	District Vice-Chairperson	June 30, 2022
Richard Stofthoff	Secretary/Treasurer	June 30, 2020
Michael Mathews	Supervisor	June 30, 2022
James Hill	Supervisor	June 30, 2020

Administrative Officials

---

Michael DePalma	District Manager
Dawn Schwenderman	Administrative Assistant

See independent auditors' report.



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

---

**Independent Auditors' 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**

To the Board of Supervisors of  
Hunterdon County Soil Conservation  
District Frenchtown, New Jersey

We have audited, in accordance with the auditing standards generally 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, the financial statements of Hunterdon County Soil Conservation District, which comprise the Statement of Financial Position - Regulatory Basis as of June 30, 2020, and the related Statements of Activities - Regulatory Basis, and Cash Flows. All Funds Combined - Regulatory Basis for the year then ended, and the related Notes to the Financial Statements, and have issued our report thereon dated November 20, 2020. These financial statements have been prepared in accordance with financial reporting practices prescribed by the New Jersey department of Agriculture which is a basis of accounting principles generally accepted in the United States of America. The report contains an unmodified opinion on the regulatory basis of accounting and an emphasis paragraph describing the new accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hunterdon County Soil Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hunterdon County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as item 2019-001 that we consider to be significant deficiencies.

### Compliance and Other Matters

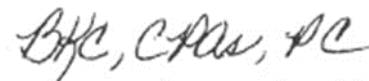
As part of obtaining reasonable assurance about whether Hunterdon County Soil Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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*.

### Hunterdon County Soil Conservation District's Response to Findings

Hunterdon County Soil Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hunterdon County Soil Conservation District's response was not subject to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BKC, CPAs, PC**

November 20, 2020  
Flemington, New Jersey



**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2020**

Finding 2020-001

- Criteria: Books should be maintained on the accrual basis of accounting.
- Condition: The books are not maintained on the basis of accounting required for the financial statements requiring audit adjustments to convert to accrual basis
- Cause: The impact from COVID-19 impacted the work load of the administrative assistant
- Effect: Review of financial statements by Board of Supervisors is not accurate.
- Recommendation: Checklist should be maintained of accounts requiring monthly adjustments should be maintained.
- Management's Response (unaudited): Management agrees with recommendation.

**HUNTERDON COUNTY SOIL CONSERVATION DISTRICT**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2020**

**Status of Prior Year's Audit Findings/Recommendations**

A review was performed on prior year recommendations and corrective action was taken on all except the following:

1. Procedures should be implemented by the district to reduce the risk of errors or defalcations in connection with a lack of segregation of duties.