

**HUNTERDON COUNTY
SOIL CONSERVATION DISTRICT**

June 30, 2023

**HUNTERDON COUNTY
SOIL CONSERVATION DISTRICT**

For the Year Ended June 30, 2023

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Certified Public Accountants, PC

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, 2023, 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.

Unmodified Opinion on Regulatory Basis of Accounting

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, 2023, and the respective changes in financial position for the year then ended, except for the supplemental schedules, marked unaudited, which were not audited, in conformity with accounting principles and practices prescribed by the New Jersey Department of Agriculture as described in Note 1.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for an Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the financial statements referred to above do not present fairly, accordance with accounting principles generally accepted in the United States of America, the financial position of Hunterdon County Soil Conservation District as of June 30, 2023, or its change in financial position for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hunterdon County Soil Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As describe in Note 1, the financial statements are prepared by Hunterdon County Soil Conservation District in accordance 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 to meet the requirements of the New Jersey Department of Agriculture. The effects on the financial statements of the variances between the regulatory basis of accounting as described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual. and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hunterdon County Soil Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and government accounting standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and government accounting standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Hunterdon County Soil Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hunterdon County Soil Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Hunterdon County Soil Conservation District's June 30, 2022, financial statements and we expressed an unmodified audit opinion on those audited statements in our report dated October 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

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 February 22, 2024, 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

February 22, 2024
Flemington, New Jersey

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Statement of Financial Position - Regulatory Basis
June 30, 2023
With Summarized Financial Information as of June 30, 2022

ASSETS

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2023	2022
Current assets					
Cash and cash equivalents	\$ 306,069	\$ -	\$ -	\$ 306,069	\$ 579,406
Cash - restricted	-	184,634	-	184,634	183,659
Certificates of deposit	522,445	-	-	522,445	312,713
Investments-U.S Treasury Bills	243,241	-	-	243,241	-
Annuity contract	53,892	-	-	53,892	52,668
Accounts receivable	3,000	-	-	3,000	3,050
Grants receivable	36,838	-	-	36,838	36,338
Prepaid insurance	3,949	-	-	3,949	3,183
Total current assets	<u>1,169,434</u>	<u>184,634</u>	<u>-</u>	<u>1,354,068</u>	<u>1,171,017</u>
Property, plant and equipment, net of accumulated depreciation of \$689,908	<u>-</u>	<u>-</u>	<u>789,720</u>	<u>789,720</u>	<u>788,199</u>
Total assets	<u>\$1,169,434</u>	<u>\$ 184,634</u>	<u>\$ 789,720</u>	<u>\$ 2,143,788</u>	<u>\$ 1,959,216</u>

See accompanying notes to the financial statements.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Statement of Financial Position - Regulatory Basis (continued)
June 30, 2023
With Summarized Financial Information as of June 30, 2022

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2023	2022
Current liabilities					
Current maturities of long-term debt	\$ -	\$ -	\$ 1,019	\$ 1,019	\$ 4,075
Accounts payable and accrued expenses	28,417	-	-	28,417	20,014
Interfund payable (receivable)	436,458	(436,458)	-	-	-
Compliance bonds payable	-	183,000	-	183,000	182,000
Accrued pension	455	-	-	455	2,300
Accrued vacation and sick pay	55,780	-	-	55,780	51,319
Total current liabilities	521,110	(253,458)	1,019	268,671	259,708
Long-term liability					
Long-term debt, net of current maturities	-	-	-	-	1,019
Accrued pension	455	-	-	455	940
Total long-term liabilities	455	-	-	455	1,959
Total liabilities	521,565	(253,458)	1,019	269,126	261,667
Reserves					
Reserve for future soil erosion and sediment control act expenditure	-	438,092	-	438,092	417,029
Net assets					
Unrestricted net assets	647,869	-	-	647,869	497,415
Temporarily restricted net assets	-	-	788,701	788,701	783,105
Total net assets	647,869	-	788,701	1,436,570	1,280,520
Total reserves and net assets	647,869	438,092	788,701	1,874,662	1,697,549
Total liabilities, reserves and net assets	\$1,169,434	\$ 184,634	\$ 789,720	\$ 2,143,788	\$ 1,959,216

See accompanying notes to the financial statements.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Statement of Activities - Regulatory Basis
For the Year Ended June 30, 2023
With Summarized Financial Information for the Year Ended June 30, 2022

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2023	2022
Support and revenue					
Soil erosion and sediment control act fees	\$ -	\$ 532,118	\$ -	\$ 532,118	\$ 545,723
Hunterdon County grant	73,175	-	-	73,175	73,263
Integrated crop management fees	980	-	-	980	700
Tree, map and conservation material sales, net of purchases	(625)	-	-	(625)	(375)
Rental income	91,140	-	-	91,140	82,845
Interest on savings and temporary investments	-	18,076	-	18,076	3,178
Solar income	9,899	-	-	9,899	10,939
Gain on sale of equipment	-	-	-	-	2,500
Miscellaneous income	-	-	-	-	524
Total support and revenue	\$ 174,569	\$ 550,194	\$ -	\$ 724,763	\$ 719,297

See accompanying notes to the financial statements.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Statement of Activities - Regulatory Basis (continued)
For the Year Ended June 30, 2023
With Summarized Financial Information for the Year Ended June 30, 2022

	Unrestricted	Temporarily Restricted		Total	
		Chapter 251	Property and Equipment Fund	2023	2022
Expenses					
Salaries and wages	\$ -	\$ 231,935	\$ -	\$ 231,935	\$ 213,124
Fringe benefits	-	193,935	-	193,935	191,904
Administration fees	-	6,701	-	6,701	7,511
Professional fees	-	7,758	-	7,758	7,809
Travel and related expense	-	9,654	-	9,654	9,693
Utilities	-	1,886	-	1,886	1,913
Solar expense	-	11,391	-	11,391	10,448
Maintenance and repairs	-	16,136	-	16,136	16,312
Insurance	-	19,073	-	19,073	19,215
Telephone	-	3,450	-	3,450	3,438
Materials and supplies	-	6,497	-	6,497	6,205
Dues	-	3,549	-	3,549	1,159
Interest	-	1,136	-	1,136	958
Depreciation	-	-	34,549	34,549	30,851
Total expenses	-	513,101	34,549	547,650	520,540
Change in net assets	174,569	37,093	(34,549)	177,113	198,757
Transfer of funds	(24,115)	(16,030)	40,145	-	-
Excess of support over expenses	150,454	21,063	5,596	177,113	198,757
Total reserves and net assets - beginning of year	497,415	417,029	783,105	1,697,549	1,498,792
Total reserves and net assets - end of year	\$ 647,869	\$ 438,092	\$ 788,701	\$ 1,874,662	\$ 1,697,549

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, 2023
With Summarized Financial Information for the Year Ended June 30, 2022

	2023	2022
Cash flows from operating activities		
Excess of support over expenses	\$ 177,113	\$ 198,757
Adjustments to reconcile excess of support over expenses net cash provided by operating activities		
Depreciation	34,549	30,851
Gain on sale of equipment	-	(2,500)
Interest on Certificates of deposits	(9,732)	(2,246)
Interest on U.S. Treasury Bills	(6,663)	-
Interest on Annuity	(1,224)	(914)
Decrease (increase) in assets		
Accounts receivable	50	(3,050)
Grant receivable	(500)	(6,763)
Prepaid insurance	(766)	117
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,403	4,112
Compliance bond payable	1,000	29,965
Accrued vacation and sick pay	4,461	(2,619)
Accrued pension	(2,330)	(2,232)
Total adjustments	27,248	44,721
Net cash provided by operating activities	204,361	243,478
Cash flows from investing activities		
Investment in U.S. Treasury Bills	(236,578)	-
Investment in certificates of deposit	(200,000)	(150,000)
Proceeds from the sale of equipment	-	2,500
Purchase of equipment	(36,070)	(26,129)
Net cash used in investing activities	(472,648)	(173,629)
Cash flows from financing activities		
Principal payments on long-term debt	(4,075)	(4,074)
Net cash used in financing activities	(4,075)	(4,074)
Net (decrease) increase in cash	(272,362)	65,775
Cash, cash equivalents, and restricted cash- beginning of year	763,065	697,290
Cash, cash equivalents, and restricted cash- end of year	\$ 490,703	\$ 763,065

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 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. On June 30, 2023, 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, and 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 an original maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statement of cash flows that sum the totals of the same such amounts in the statement of cash flows as of June 30, 2023:

Cash and cash equivalents	\$	306,069
Restricted cash		184,634
Total cash, cash equivalents and restricted cash	\$	490,703

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
Vehicles	5 - 7 years
Equipment	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, 2022, from which the summarized information was derived.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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.

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, 2023, the District exceeded the federally insured limit by approximately \$56,000.

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 - Investments

The Investments are reported at the fair values on the Statement of Financial Position-Regulatory Basis. Changes in fair value are reported as investment return on the Statement of Activities-Regulatory Basis.

Investments consist of the following at June 30, 2023:

Description	Cost	Fair Market Value
U.S. Treasury Bills	\$ 236,578	\$ 243,241

Fair value

The fair value measurements authoritative literature, FASB ASC, Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 4 - Investments (continued)
Fair value (continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Company's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3
U.S. Treasury Bills	\$ 243,241	\$ -	\$ -

Note 5 - Annuity contract investment

The District Plan entered into an annuity investment with F&G Annuities for Life (F&G) in October of 2021. F&G holds the annuity in an account. The account is credited with earnings on the underlying investments. The Guaranteed Investment Contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Certain events, such as the premature termination of the contract by the District has early termination fees. The termination fees are for the first ten years of the contract and start at 9% and decrease each year by 1%. The Surrender fee in year 10 is also 1%. The surrender value as of June 30, 2023, is \$49,752.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 5 - Annuity contract investment (continued)
 The fair value of the Investment Contract with F&G at June 30, 2023, was \$53,892. An interest rate of 2.35% is guaranteed for the first five years of the Contract. The interest rate is guaranteed through October 4, 2026. After October 4, 2026, the annuity will renew for another five years at the current interest rate.

Note 6 - Property, plant and equipment
 Property, plant and equipment at June 30, 2023 are:

Land	\$ 250,130
Building and building improvements	1,077,378
Vehicles	64,677
Equipment	87,443
Total property and equipment	1,479,628
Less: accumulated depreciation	689,908
Property, plant and equipment, net	\$ 789,720

Depreciation expense was \$34,549 for the year ended June 30, 2023.

Note 7 - Short-term borrowing
 The District has a revolving unsecured line of credit with a bank. The line Expires in May of 2024. 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, 2023. The effective borrowing rate was 9.5% at June 30, 2023.

Note 8 - 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 \$1019 as of June 30, 2023. The truck purchased is collateral for the loan. The outstanding balance is maturing during the year ending June 30, 2024.

Note 9 - 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 10 - Temporarily restricted net assets
 Restricted net assets consist of the reserve for future soil erosion and sediment control act expenditure fees and the net property, plant and equipment less-related liabilities.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 11 - 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 lease was extended for an additional 5 years during the year ended June 30, 2023. The monthly base rent was increased to \$7,595. The cost of real property leased is \$1,077,378, and the carrying amount is \$566,121.

Rent income for the year ended June 30, 2023, totaled \$91,140.

The future minimum lease income due under the agreement for the remaining four years ending June 30 are as follows:

2024		\$	91,140
2025			91,140
2026			91,140
2027			91,140

Note 12 - 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 Annual Financial Statements which can be found at www.state.nj.us/treasury/pensions/annual-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,

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

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - Pensions (continued)

Public employee retirement system (continued)

Plan description (continued)

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, 2022, 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, 2022.

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.

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 2022, 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.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - Pensions (continued)

Public employee retirement system (continued)

Contributions (continued)

Such employers will be credited with 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 \$910 as of June 30, 2023.

The contribution rate was 7.50% of base salary effective July 1, 2019.

The District's contractually required contribution rate for the year ended June 30, 2022 was 15.00% 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 \$34,949 to PERS during the year ended June 30, 2023.

The components of the District's allocable share of the net pension liability for PERS as of the Plan measurement date of June 30, 2022 is as follow:

Total pension liability	\$	1,137,095
Plan fiduciary net position		718,849
Net pension liability	\$	418,246
Plan fiduciary net position as a percentage of the total pension liability		63.22%

The net position as percentage of the total tax liability was 70.65% as of the June 30, 2021, Plan measurement date.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - Pensions (continued)

Public employee retirement system (continued)

Collective net pension liability and actuarial information

Actuarial assumptions

The collective total pension liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary increases (based on age)	
Based on years of service	2.75% - 6.55%
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-2021.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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 12 - Pensions (continued)

Public employee retirement system (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, 2022) 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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	27.00%	8.12%
Non-U.S. Developing Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 the contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - Pensions (continued)

Public employee retirement system (continued)

Long-term expected rate of return (continued)

The following presents the District's proportionate share of the collective net pension liability of as of June 30, 2021 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 (7.00%)	\$	418,248
At a 1% lower rate (6.00%)		541,874
At a 1% higher rate (8.00%)		319,590

Collective deferred outflows of resources and deferred inflows of resources

As of the Plan measurement date of June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,019	\$ 2,662
Changes in assumptions	1,296	62,628
Net difference between projected and actual earnings on pension plan investments	17,911	-
Payment made after measurement date	-	-
Changes in proportion and differences between Municipal contributions and proportionate share of contributions	16,954	28,490
Total	<u>\$ 38,580</u>	<u>\$ 93,780</u>

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - 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, 2022:

	Beginning Balance	Net Change in activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	\$ 5,094	\$ (2,075)	\$ 3,019
Changes of assumptions	1,682	(386)	1,296
Differences between projected and actual experience	-	-	-
Deferred inflows of resources			
Differences between expected and actual experience	(2,312)	(350)	(2,662)
Change of assumptions	(114,990)	52,362	(62,628)
Differences between projected and actual earnings on pension plan investments	(85,087)	102,398	(17,311)
Net changes in deferred outflows (inflows) of resources	\$ (195,613)	\$ 151,949	\$ (43,664)

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>				
2023			\$	(35,877)
2024				(18,278)
2025				(8,914)
2026				19,447
2027				(42)
Total			\$	(43,664)

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 12 - 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, 2022 Plan measurement date is as follows:

Service cost	\$	20,159
Interest on total pension liability		80,857
Benefit changes		235
Member contributions		(16,812)
Administrative expense		361
Expected investment return net of investment expense		(53,975)
Pension expense related to specific liabilities of individual employers		(290)
Differences between expected and actual experience		957
Change in assumptions		(60,441)
Differences between projected and actual investment earnings on pension plan investments		(1,342)
Pension expense (benefit)	\$	<u>(30,291)</u>

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/njdcrp.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 13 - 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 \$6,030 for the year ended June 30, 2023.

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 13 - 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, 2022 was \$42,352 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, 2020, through June 30, 2021. The information related to the OPEB liability is from the June 30, 2021, report for the year ending June 30, 2023 as this is permitted due to late release of the actuarial information. 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.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 13 - Postemployment retirement benefits (continued)

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, 2021, Plan measurement date is as follows:

Total OPEB liability	\$ 1,197,080
Plan fiduciary net position	3,335
Net OPEB liability	\$ 1,193,745

Plan fiduciary net position as a percentage of the total OPEB liability .28%

The Plan's fiduciary net position as percentage of the total OPEB liability for the June 30, 2020, measurement date was .91%.

The total OPEB liability as of June 30, 2021, was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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:

Inflation rate	2.50%
Salary increases	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%

Actuarial assumptions used in the July 1, 2020, valuation were based on results of the PERS experience studies prepared for July 1, 2014 to June 30, 2018. Mortality source is Pub-2010 general classification headcount weighted mortality improvement projections from the central year using Scale MP-2021.

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

Discount rate

The discount rate for June 30, 2021, was 2.16%. 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.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 13 - Postemployment retirement benefits (continued)

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, 2021, 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 (2.16%)	\$ 1,193,745
At a 1% lower rate (1.16%)	1,423,026
At a 1% higher rate (3.16%)	1,026,473

The following presents the collective net OPEB liability of the participating employers as of the June 30, 2021 Plan measurement date 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	\$ 1,193,745
At a 1% lower rate (1% decrease)	995,986
At a 1% higher rate (1% increase)	1,451,797

At June 30, 2021, 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	\$ 26,786	\$ 249,749
Changes of assumptions	171,724	211,009
Net difference between projected and actual earnings on OPEB plan investments	571	-
Changes in proportion and differences between District contributions and proportionate share of contributions	151,532	65,936
Total	<u>\$ 350,613</u>	<u>\$ 526,694</u>

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 13 - Postemployment retirement benefits (continued)

Components of net OPEB liability (continued)

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, 2021:

	Beginning Balance	Changes	Ending Balance
Deferred outflows of resources			
Differences in expected and actual experience	\$ 31,856	\$ (4,970)	\$ 26,786
Differences between projected and actual investment earnings	180,328	(8,604)	171,724
Differences between projected and actual investment earnings on OPEB plan investments	766	\$ (195)	\$ 571
Deferred inflows of resources			
Difference between expected and actual experience	(224,515)	(25,234)	(249,749)
Change of assumptions	(268,119)	57,110	(211,009)
Net changes in deferred outflows (inflows) of resources	\$ (279,784)	\$ 18,107	\$ (261,677)
 <u>Year Ending June 30,</u>			
2022			\$ (71,278)
2023			(71,371)
2024			(71,457)
2025			(51,028)
2026			(8,578)
Thereafter			12,035
Total			\$ (261,677)

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 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 13 - Postemployment retirement benefits (continued)

Components of net OPEB liability (continued)

OPEB expense

The components of allocable OPEB expense, which exclude OPEB expense related to specific liabilities of individual employers, for the year ended June 30, 2021 is as follows:

Service cost	\$	56,113
Interest on total OPEB liability		27,446
Expected investment return		(158)
Administrative expense		752
Change in benefit terms		135
Current period recognition (amortization) of deferred inflows/outflows of resources		-
Changes in assumptions		(46,660)
Difference between projected and actual investment earnings on OPEB Plan investments		(24,889)
Investment earnings on open plan investments		330
Total OPEB (benefit) expense	\$	13,069

Note 14 - 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.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements

Note 15 - Solar energy commitment

In December 2017, the District entered into an agreement with a company to purchase solar energy for a period of 15 years. 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:

2024	\$	10,344
2025		10,287
2026		10,236
2027		10,188
2028		10,140
Thereafter		52,392

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 agreement to use land to install solar panels for a period of 20 years for \$1 a year.

Note 15 - Supplemental cash flow information

The District paid \$1,136 in interest during the year ended June 30, 2023.

The current year increase in the reserve for Soil Erosion and Sediment Control Act Expenditures was \$32,964.

Note 16 - Subsequent events

The District's Management has determined that there are no material events or transactions that occurred subsequent to June 30, 2023 and through February 22, 2024, 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, 2023

	Total Funds		Under (Over) Budget
	Budget (Unaudited)	Actual	
Soil erosion and sediment control act fees	\$ 435,000	\$ 532,118	\$ (97,118)
Hunterdon County grant	72,675	73,175	(500)
Integrated crop management fees	1,000	980	20
Tree, map and conservation material sales, net of purchases	(225)	(625)	400
Rental income	82,845	91,140	(8,295)
Interest on savings and temporary investments	3,500	18,076	(14,576)
Solar income	10,600	9,899	701
Miscellaneous income	100	-	100
Total support and revenue	<u>605,495</u>	<u>724,763</u>	<u>(119,268)</u>
Salaries and wages	226,305	231,935	(5,630)
Fringe benefits	211,000	193,935	17,065
Administrative services	6,000	6,701	(701)
Professional fees	11,500	7,758	3,742
Travel and related expense	14,000	9,654	4,346
Utilities	2,750	1,886	864
Solar expense	10,400	11,391	(991)
Maintenance and repairs	21,100	16,136	4,964
Insurance	20,320	19,073	1,247
Telephone	3,500	3,450	50
Materials and supplies	9,150	6,497	2,653
Dues	2,770	3,549	(779)
Interest	300	1,136	(836)
Depreciation	66,400	34,549	31,851
Total expenses	<u>605,495</u>	<u>547,650</u>	<u>57,845</u>
Net change in assets	<u>\$ -</u>	<u>\$ 177,113</u>	<u>\$ 177,113</u>

See independent auditors' report.

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Schedule of District Officials
(Unaudited)
June 30, 2023

District Governing Body

Name	Title	Term Expires
R. Gregory Manners	District Chairperson	June 30, 2025
James Hill	District Vice-Chairperson	June 30, 2026
Richard Stothoff	Secretary/Treasurer	June 30, 2026
Michael Mathews	Supervisor	June 30, 2025
William Engisch	Supervisor	June 30, 2024

Administrative Officials

Michael DePalma	District Manager
Dawn Schwenderman	Administrative Assistant

See independent auditors' report.



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**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, 2023, 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 February 22, 2024. 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 items 2023-001 and 2023-002 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

February 22, 2024
Flemington, New Jersey

HUNTERDON COUNTY SOIL CONSERVATION DISTRICT
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Finding 2023-001

- Criteria: Books should be maintained on the regulatory of accounting.
- Condition: The books are not maintained on the regulatory basis of accounting required requiring audit adjustments to record receivables and accruals.
- Cause: The Administrative Assistant does not have a strong knowledge of accounting.
- Effect: Review of financial statements by Board of Supervisors is not accurate.
- Recommendation: An accountant should be hired to review the general ledger monthly to insure the requiring monthly adjustments are done.
- Management's Response (unaudited): The District Board of Supervisors are content with the way the financial statements are being presented at the monthly meetings. District Manager Michael Depalma and Administrative Assistant Dawn Schenderman disclose everything clearly at the monthly board meetings and keep up to date on all District finances. At this time, the District Board does not feel it would be fair to charge the building community more money to hire an accountant to review our finances on a monthly basis.

Finding 2023-002

- Criteria: 251 fees should only have projects that have valid permits.
- Condition: Expired permits are not being removed from the database.
- Cause: Projects are not being reviewed to determine projects that have expired permits and removing those projects from the database.
- Effect: The Reserve for Future Soil Erosion and Sediment Control Act Expenditure is overstated.
- Recommendation: Projects should be reviewed periodically for projects where permits have expired and close those projects.
- Management's Response (unaudited): A project can still have a valid permit longer then 31/2 years since certification. For example, a project that has been submitted to our office in 2015 can still have a valid permit through the recertification process. The District will be more diligent in reviewing these projects and removing the ones that are truly expired.

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. Recommendation was not implemented regarding maintaining books on the regulatory basis.