

Warren County Soil Conservation District

Hackettstown, New Jersey

**Report of Audit
For The Year Ended June 30, 2019
(With Comparative Totals For June 30, 2018)**



Warren County Soil Conservation District
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June 30, 2019 and 2018

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**Warren County Soil Conservation District
Roster of Officials
June 30, 2019 and 2018**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne Jarvis	Chairman	2021
Nancy Bilyk	Vice Chairman	2020
George Ulmer	Supervisor	2022
Sylvia Kovacs	Supervisor	2021
Marilyn Heath	Supervisor	2022

Management and Administrative Staff

Sandra Myers	District Manager
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Independent Auditors' Report

To the Board of Supervisors
Warren County Soil Conservation District
Hackettstown, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of Warren County Soil Conservation District (the "District"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Soil Conservation District, as of June 30, 2019, and the results of its operations and changes in net assets for the year then ended in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, described in Note 1.

Report on Summarized Comparative Information

We have previously audited Warren County Soil Conservation District's 2018 financial statements, and our report dated September 14, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1, these financial statements were prepared in conformity with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the foregoing table of contents is presented for the purposes of additional analysis as required by the New Jersey Department of Agriculture's Financial Accounting Manual in accordance with those standards regarding the statement of budget versus actual revenue and expenditures – all funds combined and the schedule of state awards and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Nisiroccia LLP
November 1, 2019
Mt. Arlington, New Jersey

Warren County Soil Conservation District
Statement of Financial Position
June 30, 2019 and 2018

	Unrestricted	Temporarily Restricted			Total		
		Chapter 251	Equipment Fund	Special Projects	Total	2019	2018
<u>ASSETS</u>							
Current assets:							
Cash	\$ 204,278	\$ 518,658		\$ 32,597	\$ 551,255	\$ 755,533	\$ 666,514
Certificates of deposit	100,842					100,842	\$ 100,124
Cash restricted for performance bonds	1,000	5,000			5,000	6,000	3,500
Total current assets	<u>306,120</u>	<u>523,658</u>		<u>32,597</u>	<u>556,255</u>	<u>862,375</u>	<u>770,138</u>
Office furniture and equipment			\$ 55,885		55,885	55,885	55,885
Vehicles			36,906		36,906	36,906	36,906
Less: accumulated depreciation			(90,912)		(90,912)	(90,912)	(89,838)
Total fixed assets, net of depreciation			<u>1,879</u>		<u>1,879</u>	<u>1,879</u>	<u>2,953</u>
Total assets	<u>\$ 306,120</u>	<u>\$ 523,658</u>	<u>\$ 1,879</u>	<u>\$ 32,597</u>	<u>\$ 558,134</u>	<u>\$ 864,254</u>	<u>\$ 773,091</u>
<u>LIABILITIES AND NET ASSETS</u>							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,507	\$ 2,379			\$ 2,379	\$ 4,886	\$ 5,446
Pequest funds received in advance				\$ 6,089	6,089	6,089	8,289
Performance bonds payable	1,000	5,000			5,000	6,000	3,500
Chapter 251 administrative fees payable		300			300	300	325
RFA stormwater fees payable				435	435	435	705
AWMP funds received in advance				25,059	25,059	25,059	33,078
Due to (from) other funds	(284,864)	284,864			284,864		
Total current liabilities	<u>(281,357)</u>	<u>292,543</u>		<u>31,583</u>	<u>324,126</u>	<u>42,769</u>	<u>51,343</u>
Reserves:							
Reserve for future Soil Erosion and Sediment Control Act expenditures		372,571			372,571	372,571	376,636
Total reserves		<u>372,571</u>			<u>372,571</u>	<u>372,571</u>	<u>376,636</u>
Unrestricted net assets	587,477					587,477	460,074
Temporarily restricted net assets		(141,456)	\$ 1,879	1,014	(138,563)	(138,563)	(114,962)
Total net assets	<u>587,477</u>	<u>(141,456)</u>	<u>1,879</u>	<u>1,014</u>	<u>(138,563)</u>	<u>448,914</u>	<u>345,112</u>
Total liabilities and net assets	<u>\$ 306,120</u>	<u>\$ 523,658</u>	<u>\$ 1,879</u>	<u>\$ 32,597</u>	<u>\$ 558,134</u>	<u>\$ 864,254</u>	<u>\$ 773,091</u>

See Accompanying Notes to Financial Statements

Warren County Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	Unrestricted	Temporarily Restricted			Total		
		Chapter 251	Equipment Fund	Special Projects	Total	2019	2018
Support and revenue:							
Soil Erosion and Sediment Control Act fees		\$ 101,699			\$ 101,699	\$ 101,699	\$ 140,881
Seedling sales							5,464
Forestry income	\$ 94,438					94,438	64,932
Warren County Board of Chosen Freeholders grant	40,500					40,500	81,000
Stormwater permit revenue				\$ 4,050	4,050	4,050	3,005
Farmland inspections income	46,000					46,000	33,824
Interest income	1,002	1,835		3	1,838	2,840	1,160
Pequest funds				7,200	7,200	7,200	7,500
AWMP income				8,034	8,034	8,034	17,239
NRCS preserved farm inspections	10,812					10,812	6,351
Management fee	58,781					58,781	
Bonds income	11,750					11,750	2,745
Other income	1,226					1,226	1,149
Total support and revenue	<u>264,509</u>	<u>103,534</u>		<u>19,287</u>	<u>122,821</u>	<u>387,330</u>	<u>365,250</u>
Expenses:							
Salaries and wages	75,827	81,120		7,975	89,095	164,922	155,284
Supplies	1,290	1,278			1,278	2,568	4,539
Seedling purchases							3,800
Rent	10,650	10,650			10,650	21,300	21,300
Dues and subscriptions	175	175			175	350	550
Professional fees	3,834	2,924			2,924	6,758	6,993
Repairs and maintenance	731	732		59	791	1,522	1,278
Payroll tax expense	6,303	6,303			6,303	12,606	12,112
Telephone	1,018	1,518			1,518	2,536	2,672
Office expense	1,429	576			576	2,005	3,023
Travel and meals	1,260	1,151			1,151	2,411	1,422
Employee benefits	33,927	21,739			21,739	55,666	56,264
Insurance	3,220	3,220			3,220	6,440	6,474
Conferences and seminars		235			235	235	96
Depreciation			\$ 1,074		1,074	1,074	1,074
Pequest funds				7,200	7,200	7,200	7,500
Total expenses	<u>139,664</u>	<u>131,621</u>	<u>1,074</u>	<u>15,234</u>	<u>147,929</u>	<u>287,593</u>	<u>284,381</u>

See Accompanying Notes to Financial Statements

Warren County Soil Conservation District
Statement of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	Unrestricted	Temporarily Restricted			Total		
		Chapter 251	Equipment Fund	Special Projects	Total	2019	2018
Excess (deficiency) of support and revenue over expenses	124,845	(28,087)	(1,074)	4,053	(25,108)	99,737	80,869
Net assets (deficiency), beginning of year	460,074	(117,434)	2,953	(481)	(114,962)	345,112	316,093
Transfer of net assets	2,558			(2,558)	(2,558)		
Increase in Reserve for future Soil Erosion and Sediment Control Act expenditures		4,065			4,065	4,065	(51,850)
Net assets (deficiency), end of year	<u>\$ 587,477</u>	<u>\$ (141,456)</u>	<u>\$ 1,879</u>	<u>\$ 1,014</u>	<u>\$ (138,563)</u>	<u>\$ 448,914</u>	<u>\$ 345,112</u>

See Accompanying Notes to Financial Statements

**Warren County Soil Conservation District
Statement of Cash Flows – All Funds Combined
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 99,737	\$ 80,869
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	1,074	1,074
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	(560)	(16)
Pequest funds received in advance	(2,200)	
Performance bonds payable	2,500	(15,530)
Chapter 251 administrative fees payable	(25)	
RFA stormwater fees payable	(270)	390
AWMP funds received in advance	(8,019)	(17,188)
Net cash provided by operating activities	<u>92,237</u>	<u>49,599</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(50,696)	(100,000)
Redemption of certificates of deposit	50,062	
Interest income in certificates of deposit reinvested	(84)	(124)
Net cash used in investing activities	<u>(718)</u>	<u>(100,124)</u>
Net increase (decrease) in cash	91,519	(50,525)
Cash, beginning of year	<u>670,014</u>	<u>720,539</u>
Cash, end of year	<u>761,533</u>	<u>670,014</u>
Supplemental disclosure of non-cash activities		
Increase (decrease) in Reserve for Soil Erosion and Sediment Control Act Expenditures	<u>\$ (4,065)</u>	<u>\$ 51,850</u>

See Accompanying Notes to Financial Statements

Warren County Soil Conservation District
Notes to Financial Statements
June 30, 2019 and 2018

1. Summary of Significant Accounting Policies

Organization

The Warren County Soil Conservation District (the “District”) is one of fifteen Districts in the State of New Jersey under the auspices of the New Jersey Department of Agriculture. Each District is governed by a Board of Supervisors, which sets policies and performance guidelines. The Districts work closely with the U.S. Soil Conservation Service to promote the wise use of soil and water resources. In 1976 the Districts in New Jersey were mandated to administer Chapter 251, the Soil Erosion and Sediment Control Act of 1975, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources, and enhance soil quality.

Financial Statement Presentation

The District is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets can be expended by the District for any aspect of its operations, at any time, as determined by management. Temporarily restricted net assets are either restricted as to a specific program, a specific time period or both, but eventually, will be expended by the District. Permanently restricted net assets can never be expended but benefit the District through investment earnings on such assets. At June 30, 2019 and 2018, the District had only unrestricted and temporarily restricted net assets.

Basis of Accounting

The financial statements of the District have been prepared in conformity with the financial reporting provisions of the New Jersey Department of Agriculture’s Financial Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Use of Estimates

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

Warren County Soil Conservation District
Notes to Financial Statements
June 30, 2019 and 2018

Total Columns

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

Property and Equipment

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

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

Cash and Temporary Investments

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

Performance Bonds

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

Income Taxes

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

Subsequent events

Management has reviewed subsequent events and transactions that occurred after June 30, 2019 through the date of the independent auditors' report and the date the financial statements were available to be issued on November 1, 2019. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Warren County Soil Conservation District
Notes to Financial Statements
June 30, 2019 and 2018

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

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to account for all related costs of future site inspections currently in progress, for which fees under the Soil Conservation Act, NJSA 4:24, et seq. have previously been collected. The current balance of the reserve is calculated on actual funds for each individual project that is still open at the end of each fiscal year plus 10% of the actual funds calculated. At June 30, 2019 and 2018, the current balance of the reserve amounted to \$372,571 and \$376,636, respectively.

3. Pension

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

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

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

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

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

District contributions to the plan amounted to \$21,304 and \$19,129 for the years ended June 30, 2019 and 2018. The contributions represented 100% of the District's annual pension costs (APC).

Supplementary Information

Warren County Soil Conservation District
Schedule of Budget Versus Actual Revenue and Expenditures - All Funds Combined
For the Years Ended June 30, 2019 and 2018

	Total Funds -2019			Total Funds 2018
	Budget (Unaudited)	Actual	Variance	Actual
Support and revenue:				
Soil Erosion and Sediment Control Act fees	\$ 100,000	\$ 101,699	\$ 1,699	\$ 140,881
Seedling sales	1,000	-	(1,000)	5,464
Forestry income	75,000	94,438	19,438	64,932
Warren County Board of Chosen Freeholders grant	81,000	40,500	(40,500)	81,000
Stormwater permit revenue	2,000	4,050	2,050	3,005
Farmland Preservation Inspections	33,823	46,000	12,177	33,824
Bonds income	1,000	11,750	10,750	2,745
Interest income	100	2,840	2,740	1,160
Pequest funds	-	7,200	7,200	7,500
AWMP income	20,000	8,034	(11,966)	17,239
NRCS preserved farm inspections	-	10,812	10,812	6,351
Management fee	-	58,781	58,781	
Other income	1,150	1,226	76	1,149
Total support and revenue	<u>315,073</u>	<u>387,330</u>	<u>72,257</u>	<u>365,250</u>
Expenses:				
Salaries and wages	160,076	164,922	4,846	155,284
Supplies	3,000	2,568	(432)	4,539
Seedling purchases	-	-	-	3,800
Rent	21,300	21,300	-	21,300
Dues and registrations	1,300	350	(950)	550
Professional fees	6,500	6,758	258	6,993
Repairs and maintenance	5,000	1,522	(3,478)	1,278
Payroll tax expense	12,310	12,606	296	12,112
Telephone	2,796	2,536	(260)	2,672
Office expense	1,700	2,005	305	3,023
Travel and meals	500	2,411	1,911	1,422
Employee benefits	54,121	55,666	1,545	56,264
Insurance	6,027	6,440	413	6,474
Conferences and seminars	500	235	(265)	96
Depreciation	-	1,074	1,074	1,074
Pequest funds	-	7,200	7,200	7,500
Total expenses	<u>275,130</u>	<u>287,593</u>	<u>12,463</u>	<u>284,381</u>
Excess (deficiency) of support and revenue over expenses	<u>\$ 39,943</u>	<u>\$ 99,737</u>	<u>\$ 59,794</u>	<u>\$ 80,869</u>

**Warren County Soil Conservation District
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2019**

<u>State Grantor/Pass-Through Grantor/Program</u>	<u>Grant ID#</u>	<u>State Account Number</u>	<u>Grant Period</u>	<u>Grant Awards</u>	<u>Cumulative Program Disbursements</u>	<u>Current Year</u>	
						<u>Program Disbursements</u>	<u>Cash Received</u>
<u>State of New Jersey Department of Agriculture</u> Animal Waste Management Pollution	15-02	N/A	9/15/15 - 12/31/19	\$ 146,520	121,824	8,034	-
Total State Awards					<u>\$ 121,824</u>	<u>\$ 8,034</u>	<u>\$ -</u>

Warren County Soil Conservation District
Current Year Recommendations
June 30, 2019

Segregation of Duties

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

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

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

Warren County Soil Conservation District
Prior Year Recommendations
June 30, 2018

Segregation of Duties

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

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