

UPPER DELAWARE SOIL CONSERVATION DISTRICT

Blairstown, New Jersey

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REPORT OF AUDIT

FOR THE YEAR  
ENDED JUNE 30, 2022

# UPPER DELAWARE SOIL CONSERVATION DISTRICT

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UPPER DELAWARE SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2022

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires (d)</u>
Sylvia Kovacs	District Chair	June 30, 2023
Natalie Burger	District Vice-Chair	June 30, 2023
Ben Jorritsma	Supervisor	June 30, 2024

Administrative Officials

Sandra Myers	District Manager
Tim Matthews	District Forester



## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Upper Delaware Soil Conservation District  
PO Box 198  
51 Main Street, Ste B  
Blairstown, NJ 07825

### Opinions

We have audited the accompanying financial statements of Upper Delaware Soil Conservation District (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—regulatory basis as of June 30, 2022, and the related statements of activities – regulatory basis and statement of functional expenses – regulatory basis and statement of cash flows – 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 assets, liabilities, and net assets of Upper Delaware Soil Conservation District as of June 30, 2022 and its support, revenue, and expenses for the year then ended, in accordance with the financial reporting practices prescribed by New Jersey Department of Agriculture's Financial Accounting Manual as described in Note 2.

#### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Upper Delaware Soil Conservation District as of June 30, 2022, or the changes in its net assets for the year then ended.

### Basis for Opinions

We conducted our audit in accordance with 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 and audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. 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 Upper Delaware 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 unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on U.S. Generally Accepted Accounting Principles.

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

As described in Note 2, the financial statements are prepared by Upper Delaware Soil Conservation District in accordance with the financial reporting practices prescribed or permitted by the NJ 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 the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by 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 financial statements that are free from material misstatement, whether due to fraud or error.

## **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 opinion. 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 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 the 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, 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 Upper Delaware 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 Upper Delaware 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of Budget vs. Actual Revenue and expenditures – regulatory basis is presented for purposes of 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. 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2022 on our consideration of Upper Delaware Soil Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this 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 the 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 Upper Delaware Soil Conservation District's internal control over financial reporting and compliance.

*Vernia, Enterline & Brewer CPA LLC*

VERNOIA, ENTERLINE & BREWER, CPA, LLC

Somerville, New Jersey

November 21, 2022



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors  
Upper Delaware Soil Conservation District  
PO Box 198  
51 Main Street, Ste B  
Blairstown, NJ 07825

We have audited, in accordance with 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 Upper Delaware Soil Conservation District, which comprise the statement of assets, liabilities and net assets – regulatory basis as of June 30, 2022 and the related statements of activities – regulatory basis, functional expenses – regulatory basis, and cash flows – regulatory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Delaware Soil Conservation District's internal control over financial reporting 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 Upper Delaware Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Delaware Soil Conservation District'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Delaware Soil Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

We noted certain matters that are being reported in accordance with the New Jersey Soil Conservation Districts Accounting Manual in the accompanying schedule of findings and noncompliance.

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

*Vernia Enterline & Brewer CPA LLC*  
VERNOIA, ENTERLINE & BREWER, CPA, LLC  
Somerville, New Jersey  
November 21, 2022



UPPER DELAWARE SOIL CONSERVATION DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -  
REGULATORY BASIS  
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,462,422
Certificates of Deposit	174,135
Total current assets	1,636,557

FIXED ASSETS

Furniture & Equipment	53,178
Equipment & Vehicles	57,489
Less: Accumulated Depreciation	(108,108)
Property and Equipment, net	2,559

TOTAL ASSETS	\$ 1,639,116
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$ 15,823
Performance deposits payable	21,000
Total current liabilities	36,823

NET ASSETS

Without Restriction	24,998
Restricted - Chapter 251	1,363,387
Restricted - Grants & Other	213,908
Total net assets	1,602,293

TOTAL LIABILITIES AND NET ASSETS	\$ 1,639,116
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See independent auditor's report and accompanying notes to financial statements

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Restricted Funds</u>			<u>Total</u>
	<u>Without Restrictions</u>	<u>Chapter 251</u>	<u>Grants &amp; Other</u>	
<b>REVENUE AND OTHER SUPPORT</b>				
Chapter 251 Fees	\$ -	\$ 326,463	\$ -	\$ 326,463
Governmental Grants			200,000	200,000
Stormwater Permitting		3,255		3,255
Investment Income		1,387		1,387
Forestry	65,335			65,335
Farmland Preservation & Inspections	55,946			55,946
Other Income	220			220
<b>TOTAL REVENUE &amp; SUPPORT</b>	<b>121,501</b>	<b>331,105</b>	<b>200,000</b>	<b>652,606</b>
<b>EXPENSES</b>				
Without restrictions	108,715			108,715
Chapter 251		303,427		303,427
Grants & Other			1,098	1,098
<b>TOTAL EXPENSES</b>	<b>108,715</b>	<b>303,427</b>	<b>1,098</b>	<b>413,240</b>
<b>CHANGES IN NET ASSETS</b>	<b>12,786</b>	<b>27,678</b>	<b>198,902</b>	<b>239,366</b>
<b>NET ASSETS - BEGINNING OF PERIOD</b>	<b>(60,828)</b>	<b>390,644</b>	<b>6,666</b>	<b>336,482</b>
<b>PRIOR PERIOD RECLASSIFICATION OF LIABILITY TO FUND BALANCE</b>		<b>1,011,439</b>	<b>15,006</b>	<b>1,026,445</b>
<b>PRIOR PERIOD FUND BALANCE RECLASSIFICATIONS</b>	<b>73,040</b>	<b>(66,374)</b>	<b>(6,666)</b>	<b>-</b>
<b>ADJUSTED NET ASSETS - BEGINNING OF PERIOD</b>	<b>12,212</b>	<b>1,335,709</b>	<b>15,006</b>	<b>1,362,927</b>
<b>NET ASSETS - END OF PERIOD</b>	<b>\$ 24,998</b>	<b>\$1,363,387</b>	<b>\$ 213,908</b>	<b>\$ 1,602,293</b>

See independent auditor's report and accompanying notes to financial statements

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Restricted Funds</u>			<u>Total</u>
	<u>Without Restrictions</u>	<u>Chapter 251</u>	<u>Grants &amp; Other</u>	
Salaries and Wages	\$ 69,600	166,766	\$ 937	\$ 237,303
Payroll Taxes	6,349	15,298		21,647
Employee Benefits	14,484	34,899		49,383
Pension Expense	9,948	23,970		33,918
Automobile Expenses	1,995	4,807		6,802
Legal & Professional Fees		18,600		18,600
Repairs & Maintenance	1,537	8,708		10,245
Meetings & Conferences	54	306		360
Utilities	115	649		764
Telephone Expenses	645	3,655		4,300
Insurance	997	5,650		6,647
Office, Postage & Miscellaneous	1,247	7,066	161	8,474
Rent & Leasing	1,744	9,873		11,617
Depreciation		3,180		3,180
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 108,715</u>	<u>\$ 303,427</u>	<u>\$ 1,098</u>	<u>\$ 413,240</u>

See independent auditor's report and accompanying notes to financial statements

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 239,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,180
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable	3,043
Increase (decrease) in performance deposits payable	<u>(2,500)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>243,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in certificates of deposit	<u>(447)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(447)</u>
NET INCREASE IN CASH	242,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,219,780</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,462,422</u></u>

See independent auditor's report and accompanying notes to financial statements

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BACKGROUND INFORMATION

Upper Delaware Soil Conservation District (the “Organization”) provides for the conservation of the soil and soil resources of Sussex County and Warren County, New Jersey. The Upper Delaware Soil Conservation District is one of fourteen 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 of soil resources, and enhance soil quality.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Upper Delaware Soil Conservation District have been prepared on a regulatory basis of accounting as prescribed by the New Jersey Department of Agriculture’s Financial Accounting Manual. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Organization classifies resources for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. These categories are Net Assets without restrictions and restricted net assets. The Organization records unconditional promises to give as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor, grantor or regulatory imposed restrictions. For the year ended June 30, 2022, the Organization had accounting transactions in both of the net asset categories as follows:

- Net Assets Without Restriction – Net assets that are not subject to donor, grantor or regulatory-imposed restrictions.
- Restricted Net Assets – Net assets subject to donor, grantor or regulatory-imposed restrictions.

Basis of Accounting

District funds are accounted for using a modified accrual basis of accounting as prescribed by the New Jersey Department of Agriculture’s Financial Accounting Manual. Support and revenue for items other than Chapter 251 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 Chapter 251 revenue recognized in a current accounting period that is available for use in a future period is recorded as restricted net assets.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Accounting System

In accordance with the accounting policies prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey, 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 accounting on the basis of funds is for internal recordkeeping purposes only. The financial statements are presented as prescribed in the "Basis of Presentation" noted previously in Note 2.

The funds are organized by various activities or program expenditures of the District. The District currently uses four fund accounts. The largest and most active fund of the District is the Soil Erosion and Sediment Control Act (Ch. 251) Expenditures Fund. The other three funds are the Unrestricted Fund and the Grant Fund and other restricted fund.

The Unrestricted Fund is the only of the four fund groups that would normally contain net assets that would be classified as net assets without restriction in the statement of financial position. This Fund is comprised primarily of activities that are from Forestry and other unrestricted activities of the District.

Revenue Recognition – Non 251

Upper Delaware Soil Conservation District recognizes revenue from services based on the consideration specified in contracts with customers, which are primarily detailed in published fee schedules. The Organization recognizes revenue when a performance obligation is satisfied by transferring control of the promised service to a customer, in an amount that reflects the consideration that the Organization expect to receive in exchange for those services. A performance obligation is a promise in a contract to transfer a distinct service to the customer. At contract inception, the Organization assesses the services promised in the contract and identifies each distinct performance obligation. To identify the performance obligations, the District considers the services promised in the contract regardless of whether they are explicitly stated or as implied by customary business practice. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, control of the service is passed to the customer. Revenue is recognized over time as control of the service is transferred to the customer

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts. As of June 30, 2022, there is no allowance for doubtful accounts related to accounts receivable.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows and Cash Equivalents

The statement of cash flows was prepared under the indirect method, which includes adjustments to net income for noncash items and changes during the period in operating current assets and liabilities. The Organization considers all short-term debt securities purchased with an initial maturity of three months or less as cash equivalents.

Concentration of Credit Risk

At various times throughout the year, the Organization had cash deposits in excess of federally insured limits.

Income Taxes

The organization is a special sub-division of the NJ Department of Agriculture; therefore, it is exempt from both federal and state income tax.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization, but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization, or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amounts of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Organization's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

Property and equipment are carried at cost and depreciated using the straight-line and accelerated methods based on the estimated useful lives listed below. Additions and betterments, which extend the useful lives of the respective assets are charged to the asset accounts and are depreciated accordingly, while general repairs and maintenance are expensed as incurred.

	<u>Year(s)</u>
Transportation Equipment	3-5
Office Furniture and Equipment	5-7

Investments and Financial Instruments

Investments and financial instruments are stated at fair value. For further information regarding the fair value of the Organization's financial instruments see Note 8.

Compensated Absences

Compensated absences have not been accrued because management believes that the amount cannot be reasonably estimated.

Subsequent Events

Management has evaluated all subsequent events through November 21, 2022. The date the financial statements were available to be issued.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Statement of Functional Expenses. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits as well as occupancy and administrative expenses. These costs are allocated on the basis of estimates of time and/or effort associated with each applicable expense category.

Liquidity and Availability of Financial Assets

The statement of financial position includes financial assets available for general use by the Organization as current assets. As of June 30, 2022, the Organization does not have assets that are not available for general use because of contractual or donor-imposed restrictions.

Pension and Retired Employee Health Benefits

In accordance with the New Jersey Department of Agriculture's Financial Accounting Manual the District is not and does not reflect an obligation for Pension or Retired Employee Medical Expenses that are not expected to be paid or assessed in the current accounting period.



UPPER DELAWARE SOIL CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 – RESTRICTED NET ASSETS & RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL ACT (CH. 251) EXPENDITURES

The balance included in restricted net assets equals the Soil Erosion and Sediment Control Act (Ch. 251) Expenditures Fund balance which also equals the Reserve for Future Soil Erosion and Sediment Control Act Expenditures.

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 reserve balances may be utilized for the Ch. 251 program or for the District education program. Use of interest income is authorized at N.J.A.C. 2:90-1.12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007.

NOTE 4 - FURNITURE AND EQUIPMENT

Fixed assets are carried at the lower of cost or fair market value. Furniture and equipment consist of the following as of June 30, 2022:

Furniture & Equipment	\$ 53,178
Vehicles	<u>57,489</u>
	110,667
Less: accumulated depreciation	<u>(108,108)</u>
	<u>\$ 2,559</u>

Depreciation charged to expense for the year ended June 30, 2022 was \$3,180.

NOTE 5 - SURETY BOND COVERAGE

The following district personnel have surety bond coverage:

<u>Personnel</u>	<u>Title</u>	<u>Amount of Coverage</u>
Sandra Myers	District Manager	\$250,000

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - GRANTS RECEIVED

For the year ended June 30, 2022, Upper Delaware Soil Conservation District received grants from the following sources:

NJDA Animal Waste Management	<u>\$ 200,000</u>
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NOTE 7 – LEASES

The Organization leases its office space under a 3-year lease. The current lease term expires on January 31, 2024. The annual lease payments required for the next 5 years are listed below.

June 30, 2023	\$ 9,425
June 30, 2024	5,600
June 30, 2025	0
June 30, 2026	0
June 30, 2027	0

NOTE 8 - FAIR VALUE MEASUREMENTS

Current accounting guidance defines fair value as the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Guidance requires disclosure of the extent to which fair value is used to measure financial assets and liabilities, the inputs utilized in calculating valuation measurements, and the effect of the measurement of significant unobservable inputs on earnings, or changes in net assets, as of the measurement date. Guidance establishes a three-level valuation hierarchy based upon the transparency of inputs utilized in the measurement and valuation of financial assets or liabilities as of the measurement date. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The Company uses the market approach to determine fair value for Level 2 and Level 3 fair value measurements.

As of June 30, 2022, the Organization has investments in certificates of deposit that are valued using Level 2 inputs. The value of these assets is equivalent to the cost due to the short-term nature of the certificates. Any penalties for early withdrawal would not have a material effect on the financial statements.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – PENSION PLANS

In accordance with the New Jersey Department of Agriculture’s Financial Accounting Manual the District is only required to reflect the pension obligation that is expected to be paid or accrued for the current fiscal year. As a result, the future pension obligation for the District is not reflected on these financial statements. This is a departure from Accounting Principles Generally Accepted in the United States of America.

District employees, who are eligible for a pension plan, are enrolled in the Public Employees’ Retirement System (PERS) administered by the Division of Pensions, Treasury Department of the State of New Jersey.

**Plan Description - Public Employees’ Retirement System (PERS)**

The Public Employees’ Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan with a special funding situation. Membership consists of substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction’s pension fund. For additional information about PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

**Vesting and Benefit Provisions (PERS)**

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. Benefits and are based on Tiers.

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

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – PENSION PLANS (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.

**Funding Policy**

The contribution policy for PERS is set by N.J.S.A. 43: 15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C.78, the member contribution rate was 7.5% for the State fiscal year 2020. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The District's share of pension contributions, which is based upon the annual billings received from the state, amounted to \$33,918.

The components of the District's allocable share of the net pension liability for PERS as of the plan measurement date of June 30, 2021, follows:

Total pension liability	\$ 2,660,814	
Plan fiduciary net position	<u>1,370,823</u>	
Net pension liability	<u>\$ 1,289,991</u>	
Plan fiduciary net position as a percentage of the total pension liability		51.52%

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – PENSION PLANS (CONTINUED)

**Actuarial assumptions**

The total pension liability for the June 30, 2021, measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. These actuarial valuations used the following assumptions:

Inflation

Price	2.75%
Wage	3.25%

Salary Increases

Through all future years (based on years of service)	3.25-15.25%
Thereafter (based on years of service)	N/A
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 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 using SOA's Scale MP-2018.

Healthy Retirees and Beneficiary rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2018.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 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 using SOA's Scale MP-2018

The actuarial assumptions used in the July 1, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – PENSION PLANS (CONTINUED)

**Long-term expected rates of return**

In accordance with State statute, the long-term expected rate of return on plan investments (7% as of June 30, 2021) 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 trust funds' 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021, are summarized in the following table:

Target Asset Class	Long Term Expected Real Allocation	Rate of Return
U.S. equity	27.00%	8.09%
Non-US developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
US treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

The asset allocation is reviewed on at least an annual fiscal year basis.

**Discount rate**

The discount rate used to measure the total pension liabilities of the plan was 7% as of June 30, 2021. This rate is applicable for all periods of projected benefit payments.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – PENSION PLANS (CONTINUED)

**Sensitivity of the Districts' proportionate share of net pension liability to changes in the discount rate**

The following presents the District's proportionate share of the collective net pension liability 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%)	\$ 1,289,991
At a 1% lower rate (6.00%)	\$ 1,578,947
At a 1% higher rate (8.00%)	\$ 1,045,083

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement Systems (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 10 – POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

**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

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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 \$3,823 for the year ended June 30, 2022.

**Funding Policy**

The funding policy of the SHBP is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to the premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years.

The District's annual contributions to the Plan for retirees are included were \$11,069 for the year ended June 30, 2022.

**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



UPPER DELAWARE SOIL CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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 the same information provided for both years ending June 30, 2021, and 2020 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.

**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	\$ 690,900
Plan fiduciary net position	<u>1,930</u>
Net OPEB liability	<u>\$ 688,970</u>

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

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:

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

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

Actuarial assumptions used in the July 1, 2020, valuation was based on results of the PERS experience studies prepared for July 1, 2014 and June 30, 2018.

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

**Discount rate**

The discount rate for June 30, 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.

**Sensitivity of net OPEB liability to changes in the discount rate**

The following presents the total net OPEB liability associated with the District as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the 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%)	\$ 691,012
At a 1% lower rate (1.16%)	\$ 813,188
At a 1% higher rate (3.16%)	\$ 594,184

The following presents the total net OPEB liability associated with the District as of June 30, 2021 calculated using the healthcare trend rate as disclosed above as well as what the total 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 current cost trend rate	\$ 691,012
At a 1% lower rate (1% decrease)	\$ 576,513
At a 1% higher rate (1% increase)	\$ 840,388

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295  
<http://www.state.nj.us/treasury/pensions>

NOTE 11 – PRIOR PERIOD RECLASSIFICATIONS OF LIABILITY AND INTERFUND BALANCE OBLIGATIONS

The Statement of Activities – Regulatory Basis for the year ended June 30, 2022, reflects adjustments to the beginning balances as reported on the prior year financial statements. The reclassifications made are described below.

PRIOR PERIOD RECLASSIFICATION OF ACCOUNTS RECORDED AS A LIABILITY TO RESTRICTED FUND BALANCE

For the prior year ended June 30, 2021, liabilities were reported for a 251 reserve balance as well as Animal Waste Management Plans Grant funds received in advance. The prior period adjustment made removes the liability balance and moves the balance of unexpended funds to the associated restricted fund balance. This change in reporting does not change the overall assets associated with these restricted funds.

PRIOR PERIOD FUND BALANCE RECLASSIFICATIONS

Prior period fund balance reclassifications are adjustments that remove interfund assets and liabilities. These reclassifications also make adjustments to prior year expenditures that were not appropriately apportioned between funds.

SCHEDULE OF FINDINGS AND NONCOMPLIANCE

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND NONCOMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2022

1. New Jersey Soil Conservation Districts Accounting Manual adopted August 2015

The accounting manual applicable to NJ Soil Conservation Districts mandates various reporting and accounting procedures to be used by the NJ Soil Conservation Districts. In addition, this manual outlines certain internal controls and other procedures to be implemented by the Districts. Item a. listed below are procedures or requirements contained in the accounting manual that are not being complied with by Upper Delaware Soil Conservation District.

- a. The accounting manual includes various segregation of duty requirements that are not being met due to the small size of the organization and limited staff.

Prior year (period) findings and noncompliance:

The financial statements of Upper Delaware Soil Conservation District were audited by other auditors and “segregation of duties” was reflected as a recommendation for improvement on the audit for the year ended June 30, 2021.

- a. The District has not implemented a corrective action plan to with regards to the segregation of duties indicated in 1. a. above.

UPPER DELAWARE SOIL CONSERVATION DISTRICT  
Supplemental Schedule of Budget vs. Actual Revenue and Expenditures  
All Funds Combined - Regulatory Basis  
FOR THE YEAR ENDED JUNE 30, 2022

	Actual	Budget	Variance
Chapter 251 Fees	\$ 326,463	\$ 215,000	\$ 111,463
Governmental Grants	200,000	10,000	190,000
Stormwater Permitting	3,255	5,000	(1,745)
Investment Income	1,387	400	987
Forestry	65,335	82,000	(16,665)
Framland Preservation & Inspections	55,946	56,000	(54)
Other Income	220	-	220
	<hr/>	<hr/>	<hr/>
Income	\$ 652,606	\$ 368,400	\$ 284,206
Salaries and wages	237,303	222,794	14,509
Payroll Taxes	21,647	17,133	4,514
Pension Expense	33,918	32,000	1,918
Health Benefits and Dental	49,383	52,200	(2,817)
Insurances	6,647	6,027	620
Office Equipment/Maint		500	(500)
Office Supplies	8,474	2,000	6,474
Rent & Custodial	12,381	12,360	21
Telephone	4,300	2,220	2,080
Auto Maintenance & Expenses	17,047	4,300	12,747
Travel & Meeting Expenses	360	500	(140)
Dues and Donations		500	(500)
Contracted Services	18,600	6,500	12,100
Miscellaneous		200	(200)
Depreciation	3,180		3,180
	<hr/>	<hr/>	<hr/>
Disbursements	413,240	359,234	54,006
	<hr/>	<hr/>	<hr/>
Surplus (Deficit)	<u>\$ 239,366</u>	<u>\$ 9,166</u>	<u>\$ 230,200</u>

See independent auditor's report