

**OCEAN COUNTY SOIL
CONSERVATION DISTRICT
Forked River, New Jersey**

**REPORT OF AUDIT
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

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OCEAN COUNTY SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2019

CONSERVATION DISTRICT BOARD OF SUPERVISORS

THE DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dr. William J. Pollock	Chairman	June 30, 2021
Anthony DiLodovico	Vice-Chairman	June 30, 2021
Charlene H. Costaris	Treasurer	June 30, 2022
Dr. Michael Gross	Secretary	June 30, 2022
Martha Maxwell-Doyle	Supervisor	June 30, 2022

MANAGEMENT AND ADMINISTRATIVE STAFF

Christine R. Raabe	District Director
Kerry Jennings	Assistant District Director (Retired 12/1/18)
Jean Baluski	Office Manager/Resource Conservationist

Note – The District maintains an Employee Theft-Blanket, Forgery or Alteration Insurance Policy in the amount of \$200,000.

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Ocean County Soil Conservation District
714 Lacey Road
Forked River, New Jersey 08731

To the Board of Supervisors:

Report on Financial Statements

We have audited the accompanying financial statements of the Ocean County Soil Conservation District as of June 30, 2019 and the related statements of activities and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Ocean County Soil Conservation District's basic financial statements as listed in the table of contents.

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

Auditor's 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; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and the audit requirements prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual, as required by the New Jersey State Soil Conservation Committee. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 financial statement presentation.

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 U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the District on the basis of 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, as required by the New Jersey State Soil Conservation Committee.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Ocean County Soil Conservation District, as of June 30, 2019, or the results of its operations and changes in net position for the years then ended.

Opinion on Statutory Basis of Accounting

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

Report on Summarized Comparative Information

We have previously audited Ocean County Soil Conservation District's 2018 financial statements, and our report dated September 5, 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.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ocean County Soil Conservation District's 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 is not a required part of 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 basic financial statements or to the basic 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 statement of budget versus actual revenue and expenditures is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Information

The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not required by the New Jersey Department of Agriculture's Financial Accounting Manual and are not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued a report dated October 11, 2019 on our consideration of the Ocean County Soil Conservation District's internal control over financial reporting and our test 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 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 Ocean County Soil Conservation District's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A.
Registered Municipal Accountant
October 11, 2019

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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

Board of Supervisors
Ocean County Soil Conservation District
714 Lacey Rd
Forked River, New Jersey 08731

To the Board of Supervisors:

We have audited the financial statements of the Ocean County Soil Conservation District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ocean County Soil Conservation District's basic financial statements and have issued our report thereon dated October 11, 2019. 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; audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

Internal Control Over Financial Reporting

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

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 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 over financial reporting that might be significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 such 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**.

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

This report is intended for the information of the Ocean County Soil Conservation District, the funding sources of the Ocean County Soil Conservation District, the New Jersey Department of Agriculture, and Federal and State audit agencies and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A.
Registered Municipal Accountant
October 11, 2019

EXHIBIT A
(1)

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2019	June 30, 2018
<u>ASSETS</u>						
Current Assets						
Cash Savings and Temporary Investments						
Operating Funds	\$ 239,790	\$ 3,450,920	\$		\$ 3,690,710	\$ 3,872,326
Accounts Receivable:						
New Jersey Stormwater Aid		9,550			9,550	12,900
Federal Grants						1,949
Local Grants						2,985
Prepaid Expense (Note 15)		17,695			17,695	17,026
Interfund Receivable		239,790			239,790	262,111
Total Current Assets	239,790	3,717,955			3,957,745	4,169,297
Property, Plant and Equipment (Note 1E)						
Land and Buildings			422,524		422,524	422,524
Vehicles and Equipment			213,423		213,423	209,179
Less: Accumulated Depreciation			(341,531)		(341,531)	(312,998)
Total Property, Plant and Equipment			294,416		294,416	318,705
Total Assets	\$ 239,790	\$ 3,717,955	\$ 294,416	\$	\$ 4,252,161	\$ 4,488,002

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT A
(2)

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2019	June 30, 2018
LIABILITIES, NET POSITION AND RESERVES						
Current Liabilities						
Accounts Payable	\$	\$ 7,693	\$	\$	\$ 7,693	\$ 15,304
Due to the State of New Jersey		7,965			7,965	8,945
Accrued Payroll Liabilities		10,125			10,125	10,261
Unearned Revenue (Note 13)						13,162
Interfund Payable	239,790				239,790	262,111
Total Current Liabilities	239,790	25,783			265,573	309,783
Reserves						
Reserve for Future Legal Fees (Note 3)		40,000			40,000	40,000
Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 4)		3,420,093			3,420,093	3,620,770
Reserve for Compensated Absences (Note 12)		97,079			97,079	103,744
Reserve for Retirement Health Benefits (Note 16)		115,000			115,000	75,000
Reserve for Vehicle Acquisitions (Note 17)		20,000			20,000	20,000
Total Reserves		3,692,172			3,692,172	3,859,514
Net Position						
Unrestricted Net Position						
Temporarily Restricted Net Position			294,416		294,416	318,705
Total Net Position			294,416		294,416	318,705
Total Liabilities, Net Position and Reserves	\$ 239,790	\$ 3,717,955	\$ 294,416	\$	\$ 4,252,161	\$ 4,488,002

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT B
(1)

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251	Equipment Fund	Grant Fund	June 30, 2019	June 30, 2018
Support and Revenue:						
Soil Erosion and Sediment Control Act Fees	\$	\$ 1,184,732	\$	\$	\$ 1,184,732	\$ 1,473,183
Interest on Deposits	2,521	31,493			34,014	21,439
RFA Fees (New Jersey Stormwater Aid) (Note 14)		25,760			25,760	25,060
319 - OCPD (Note 18)						8,970
Urban Agri Grant (Note 20)				13,642	13,642	36,838
Experience J-F Yards (Note 21)				610	610	9,389
Experience Yards - Lighthouse Center	827				827	2,985
Miscellaneous	25	3,054			3,079	9,291
Roundtable	1,838				1,838	480
Total Support and Revenue	\$ 5,211	\$ 1,245,039	\$	\$ 14,252	\$ 1,264,502	\$ 1,587,635
Expenditures and Net Assets Released from Restrictions:						
Professional Fees	\$	\$ 24,239	\$	\$	\$ 24,239	\$ 36,034
Building Expense:						
Maintenance		9,351			9,351	11,427
Utilities		11,538			11,538	11,772
Office Equipment		4,278			4,278	5,268
Experience Yards - Lighthouse	286				286	
319 - OCPD						8,112
NJ Yards				610	610	4,676
Urban Ag Grant				4,205	4,205	21,510
Depreciation			28,534		28,534	24,118
Dues and Donations		4,223			4,223	4,479
Insurance		37,784			37,784	43,463
Miscellaneous	630				630	443
Office Expense		14,025			14,025	15,605
Website Expenses						1,252

The accompanying Notes to Financial Statements are an integral part of this statement.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	Temporarily Restricted				Totals	
	Unrestricted	Chapter 251 Reserves	Equipment Fund	Grant Fund	June 30, 2019	June 30, 2018
Expenditures (Continued)						
Payroll	\$ 541	\$ 559,451	\$	9,437	\$ 569,429	\$ 542,900
Payroll Tax		192,721			192,721	198,874
Employee Benefits		352,443			352,443	349,736
Annual Employer Pension Contribution		138,300			138,300	132,578
Poster Contest	50				50	50
Roundtable	2,677				2,677	1,009
Equipment Rental/Service Contracts		8,435			8,435	8,103
Telephone		4,366			4,366	4,312
Vehicle Expense		20,675			20,675	14,311
Workshops, Meetings and Training	1,229	7,790			9,019	3,199
Contracted Services with CASCD		18,315			18,315	
Expenditures and Net Assets Released from Restrictions:	5,413	1,407,934	28,534	14,252	1,456,133	1,443,231
Excess (Deficiency) of Support and Revenue Over Expenditures	(202)	(162,895)	(28,534)		(191,631)	144,404
Non-Operating Sources and Uses:						
Reserve for Soil Erosion and Sediment Control Act Expenditures		134,007			134,007	(87,924)
Compensated Absences		(6,665)			(6,665)	(51,290)
Retirement Health Benefits Transfers	202	(4,447)	4,245		40,000	
Net Position beginning of year			318,705		318,705	313,515
Net Position, end of year	\$	\$	\$ 294,416	\$	\$ 294,416	\$ 318,705

The accompanying Notes to Financial Statements are an integral part of this statement.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	<u>Totals for the Period ended</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash Flows provided (used) by Operating Activities		
Excess (Deficiency) of Support and Revenue over Expenditures	\$ (191,631)	\$ 144,404
Adjustments to Reconcile Excess (Deficiency) of Support and Revenue over Expenditures to Net Cash provided by Operating Activities:		
Depreciation	28,534	24,118
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	8,284	(8,424)
(Increase) Prepaid Expense	(669)	2,356
(Decrease) Increase in Accounts Payable	(7,611)	10,273
(Decrease) Increase in Unearned Revenue	(13,162)	9,923
(Decrease) Accrued Payroll Liabilities	(136)	(5,777)
(Decrease) Increase in Due to State of New Jersey	(980)	(25)
Net Cash Provided (Used) by Operating Activities	<u>14,260</u>	<u>32,444</u>
Cash Flows Used by Investing Activities		
Purchase of Fixed Assets	<u>(4,245)</u>	<u>(29,308)</u>
Net Cash Provided (Used) by Investing Activities	<u>(4,245)</u>	<u>(29,308)</u>
Net Increase (Decrease) in Cash	(181,616)	147,540
Cash and Cash Equivalents - July 1, 2018 - Beginning of Year	<u>3,872,326</u>	<u>3,724,786</u>
Cash and Cash Equivalents - June 30, 2019 - End of Year	<u>\$ 3,690,710</u>	<u>\$ 3,872,326</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of Financial Reporting Entity

The Ocean County Soil Conservation 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. Department of Agriculture /Natural Resources 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 1976, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources and enhance soil quality.

B Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in Forked River, Township of Lacey, County of Ocean. It was organized in accordance with the provisions of the Soil Conservation Act, N.J.S.A. 4:24 et seq. with a five member Board of Supervisors appointed by the State Committee as the governing body.

The supervisors serve staggered three-year terms with the nominations made by an open public forum. Districts and their partners conduct and implement conservation programs. Districts may receive funding from a variety of public and private sources and employ staff to carry out programs as directed by the Board. All funds, regardless of the source are public funds and are subject to the State Committee's fiscal management standards, rules and statutes.

C Financial Statement Presentation

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

D Basis of Accounting

The accounting policies of the District conform to practices prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Basis of Accounting - Continued

All of the District's funds are accounted for using the modified accrual basis of accounting. Support and revenues are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred. Chapter 251 revenue is recognized when received and Chapter 251 expenses are recognized when incurred.

The accounts of the District shall be 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 Position, support, revenues and expenditures. Fixed asset purchases are to be recorded in the fund of acquisition, with an appropriate transfer to the equipment fund. Accumulated depreciation is reported on the statement of financial position.

E Property, Plant and Equipment Fund

Capital Assets acquired or constructed during the year are recorded at cost and reflected as expenditures in the applicable governmental fund. Donated assets are valued at their estimated fair market value on the date received. Capital Assets acquired are transferred into the Property, Plant and Equipment fund. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets as listed below:

Equipment	5 Years
Vehicles	5 Years
Furniture	7 Years
Land Improvements	15 Years
Building and Improvements	40 Years

During 2018-19, the District had a an increase in fixed assets, resulting from additions of \$4,245.

F Amortization of Financing Costs

Financing costs, if any, are amortized over the term of the loan using the straight-line method.

G Use of Estimates

The preparation of financial statements in conformity with the New Jersey Department of Agriculture's Financial Accounting Manual requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Reclassifications

Certain amounts previously reported in the prior year financial statements may be reclassified to conform to current year classifications. These reclassifications have no effect on the total Net Position of the District.

I Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statement in order to provide an understanding of the changes in the district's financial position and operations.

J Support and Expenses

Contributions and restricted grant revenues are measured at their fair market values and are reported as an increase in net position. The District reports gifts of cash and other assets as restricted support if they are received with donor 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 satisfied, temporarily restricted net position are reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

2. RESERVE FOR FUTURE LEGAL COSTS

The Reserve for Future Legal Costs provides the District with funds necessary to pay for estimated future legal costs incurred as a result of current Chapter 251 operations. The District has set this Reserve at \$40,000, as of June, 30 2019.

3. RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL 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 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 Chapter 251 program or for the District education program. Use of interest income is authorized by N.J.A.C. 2:90-1.12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007. The certification fees collected by the District are derived from an adopted fee schedule that was effective starting August 1, 2010. On April 15, 2010, a \$25 increase was approved for State Administration fees.

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures at June 30, 2019 was \$3,420,093, as compared with \$3,620,770 in the prior year.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

4. CASH AND TEMPORARY INVESTMENTS

The District is responsible to designate and approve a list of authorized depository institutions based on their evaluation of each financial institution.

Cash may consist of demand deposits and temporary investments in the form of certificates of deposit held at financial institutions. For purposes of the statement of cash flows, the Ocean County Soil Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

New Jersey Cash Management Fund

All Fund investments are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and minimize the related risks. The Division has never suffered a default of principal or interest on any security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as protection for "Other-than-State" participants. As of June 30, 2019, the District did not have any funds on deposit with the New Jersey Cash Management Fund.

5. CONCENTRATION OF CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2019, the District's bank balance of \$3,691,986 was insured or collateralized as follows:

Insured by FDIC	\$ 500,000
Uninsured and collateralized by GUDPA by pledging financial institutions	<u>3,191,986</u>
	<u>\$ 3,691,986</u>

6. RISK MANAGEMENT

The Soil Conservation District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7. DEFERRED COMPENSATION SALARY ACCOUNT

The District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

8. CONTINGENT LIABILITIES

Per confirmation by the Ocean County Soil Conservation District's legal counsel, there are no pending litigations, claims, assessments, unasserted claims, or contingent liabilities against the District, which are considered material.

9. PENSION PLANS

Description of Plans - All required employees of the District are covered by the Public Employees' Retirement System (PERS) which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (NJDPB). The NJDPB issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained online at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Public Employees' Retirement System

The PERS is a cost-sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability benefits to qualified members. The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. All benefits vest after ten years of service, except for medical benefits, that vest after 25 years of service or under the disability provisions of PERS.

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 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9. PENSION PLANS (Continued)

Public Employees' Retirement System (Continued)

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who are enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

Contributions - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS member total contribution rate as of July 1, 2018 was 7.5% of base salary. The District employee's contributions for the year ended June 30, 2019 were \$47,516. Employers in PERS are required to contribute at an actuarially determined rate which includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The PERS employer rate due in 2018 is 13.37% of covered payroll. The District is billed annually for its normal contribution plus any accrued liability. These contributions were paid by the District and equal to the required contributions for 2018. The District's contributions to PERS for the years ended June 30, 2019, and 2018 were \$138,300 and \$132,578 respectively.

The total payroll for the year ended June 30, 2019 was \$696,078. Payroll covered by PERS was \$633,552.

Components of Net Pension Liability - At June 30, 2019, the District's proportionate share of the PERS net pension liability was \$2,000,529. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2018 was 0.010160% which was a decrease of -0.000063% from its proportion measured as of June 30, 2017.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9. PENSION PLANS (Continued)

Public Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2019 PERS pension expense, with respect to GASB 68, was \$237,218. The District's 2019 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,150	\$ 10,315
Changes of assumptions	329,654	639,663
Net difference between projected and actual earnings on pension plan investments		18,765
Changes in proportion	335,187	11,711
Contributions subsequent to the measurement date	138,300	
Total	\$ 841,291	\$ 680,454

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>PERS</u>
2020	\$ 99,895
2021	68,975
2022	(67,960)
2023	(76,119)
2024	(2,254)
Thereafter	
Total	\$ 22,537

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9. PENSION PLANS (Continued)

Public Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Measurement Date	June 30, 2018
Actuarial Valuation Date	July 1, 2017
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9. PENSION PLANS (Continued)

Public Employees' Retirement System (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Client Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
Total	100.00%	

Discount Rate - The discount rate, as of June 30, 2018, used to measure the total pension liability was 5.66% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9. PENSION PLANS (Continued)

Public Employees' Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount (5.66%)	1% Increase (6.66%)
District's Proportionate Share of the Net Pension Liability	\$ 2,515,434	\$ 2,000,529	\$ 1,568,555

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. 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 about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan 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.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 State or 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 State or 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 negotiations agreement.

Special Funding Situation

The District is considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the District does not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the District related to this legislation. However, the notes to the financial statements of the District must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the District.

Net OPEB Liability

The State of New Jersey's net OPEB liability, as of June 30, 2018, was \$15,666,618,141. Of this amount, the net OPEB liability attributable to the District was \$2,723,015. The State of New Jersey's proportionate share of the net OPEB liability is 100%, including the proportion attributable to the District of 0.01738%. The total OPEB liability for the District measured as of June 30, 2018 is zero as a result of the Special Funding Situation with the State of New Jersey.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	Plan
Inflation Rate	2.50%
Salary Increases:	Based on Age
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of Total Nonemployer OPEB Liability to changes in the discount rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer 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:

June 30, 2018		
At 1.00% Decrease 2.87%	At Discount Rate 3.87%	At 1.00% Increase 4.87%
\$ 18,381,085,096	15,666,618,141	13,498,373,388

Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

The following presents the collective net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

June 30, 2018		
1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
\$ 13,068,471,450	15,666,618,141	19,029,006,023

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's proportionate OPEB expense, as of June 30, 2018 was \$150,492. The District had proportionate deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 552,869
Changes of assumptions		690,728
Net difference between projected and actual earnings on OPEB plan investments	1,439	
Changes in proportion	423,904	89,733
Total	\$ 425,343	\$ 1,333,330

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

**OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	OPEB
2020	\$ (90,223)
2021	(90,223)
2022	(90,223)
2023	(90,356)
2024	(196,592)
Thereafter	(350,370)
Total	\$ (907,987)

11. PROPERTY AND LIABILITY INSURANCE

The District maintains commercial insurance coverage for property, liability, and employee dishonesty. Adequacy of insurance coverage is the responsibility of the District.

12. RESERVE FOR COMPENSATED ABSENCES

Compensated absences are those absences for which employees will be paid, such as vacation or sick leave. While the benefit has already been earned, payment is conditioned upon use of the time earned or payment upon retirement, based on the policy in affect at the time of separation. Therefore, a liability has not been set up on the balance sheet but net position have instead been reserved. The balance in the reserve, as of June 30, 2019, is \$97,079.

13. UNEARNED REVENUE

Unearned revenue represents restricted revenue that has been received but not yet earned. District Management reviews the status of unearned revenue on an ongoing basis.

14. REQUEST FOR AUTHORIZATION

All storm water discharge associated with construction activity within the State of New Jersey incurs a fee payable to "Treasurer – State of New Jersey". A portion of the fee is due to the New Jersey Department of Environmental Protection, the remaining is split 70% and 30% to the district and State Soil Conservation Committee, respectively.

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

15. PREPAID EXPENSE

Prepaid expenses represent expenses paid in advance, which creates a benefit beyond the current period. As of June 30, 2019, the District had \$17,965 in prepaid expenses.

16. RESERVE FOR RETIREMENT HEALTH BENEFITS

The board has designated a portion of Net Position, in the amount of \$115,000, for future health care cost of retired district personnel.

17. RESERVE FOR VEHICLE ACQUISITIONS

The board has designated a portion of Net Position, in the amount of \$20,000, for future vehicle acquisitions.

18. OCEAN COUNTY PLANNING BOARD 319H GRANT

During the 2016-17 year, the Ocean County Soil Conservation District entered into an agreement with Ocean County Planning Board, whereby, the District will hire a sub contractor to provide services for soil investigations, develop procedures and assessing soil properties, and provide technical assistance for review of soil information and management of the grant. The District shall be reimbursed for all allowable costs associated with this project, in an amount not to exceed \$12,000.

19. OPERATING LEASES

As of the audit date of October 11, 2019 the District has three outstanding operating lease agreements. Future minimum payments associated with each lease are as follows:

<u>Year</u>	<u>Phone System</u>	<u>Postage Machine</u>	<u>Copy Machine</u>
2019-20	\$ 1,935	\$ 1,728	\$ 1,308
2020-21	161	1,728	109
2021-22		1,296	
Total	<u>\$ 2,096</u>	<u>\$ 4,752</u>	<u>\$ 1,417</u>

OCEAN COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

20. URBAN AGRICULTURE CONSERVATION INITIATIVE GRANT

On August 1, 2017, the Ocean County Soil Conservation District entered into an agreement with the National Association of Conservation Districts (NACD), whereby, the District shall establish a Sustainable Jersey "Green Team", enhance existing urban agricultural programs and support implementation of new community food gardens, organize educational workshops on best landscape management practices and sustainable urban food gardening, coordinate community food harvesting and distribution. The District received an amount of \$50,000 to complete the project. As of June 30, 2019, the project was completed.

21. EXPERIENCE JERSEY-FRIENDLY YARDS

On May 23, 2017, the Ocean County Soil Conservation District entered into an agreement with Ocean County College with funds awarded by the US Environmental Protection Agency. The grant was developed for education, outreach and engagement initiative is designed to showcase and promote the Jersey-Friendly Yards (JFY) website, www.JerseyYards.org, as an information resource and implementation guide for homeowners to design, plan and install Jersey-Friendly gardens and landscapes. The goal of this project is to properly manage storm water runoff, reduce non-point source pollution, build healthy soil, implement water conservation practices, prevent negative water quality impacts, build resiliency from storm events due to climate change and sea level rise, and to support stewardship of the natural resources in the Barnegat Bay watershed. The District shall be reimbursed for allowable costs associated with this project, in an amount not to exceed \$10,000. As of June 30, 2019, the project was completed.

22. SUBSEQUENT EVENTS

There were no material events between June 30, 2019 and October 11, 2019 affecting the financial status of the Ocean County Soil Conservation District.

End of Notes to Financial Statements

SCHEDULES

OCEAN COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF BUDGET VERSUS ACTUAL REVENUE
AND EXPENDITURES - ALL FUNDS COMBINED
FOR THE YEAR ENDED JUNE 30, 2019

	Budget After Transfers	Actual	Under/(Over) Budget
<u>Support & Revenue</u>			
Chapter 251			
Capital Expense Fund Balance	\$ 89,200	\$	\$ 89,200
Interest on Investments	20,000	31,493	(11,493)
SESC Fees	1,579,008	1,184,732	394,276
RFA Funds	36,964	25,760	11,204
General Income			
Experience Yards Light House Grant	3,312	827	2,485
Urban Ag Grant	37,000	13,642	23,358
BBP-EJFY Grant (Jersey Friendly Yards)	4,000	610	3,390
Roundtable	3,000	1,838	1,162
Interest on Investments	1,074	2,521	(1,447)
Miscellaneous		3,079	(3,079)
Total Per Exhibit B(1)	\$ 1,773,558	1,264,502	\$ 509,056
Total Support and Revenue - to Exhibit B		\$ 1,264,502	
<u>Expenditures</u>			
Chapter 251			
Capital Expense Account	\$ 89,200	\$ 4,245	\$ 84,955
Professional Fees	46,500	24,239	22,261
Building Expense:			
Maintenance	16,500	9,351	7,149
Utilities	14,460	11,538	2,922
Dues	3,432	3,098	334
Donations	900	1,125	(225)
Office Equipment	7,000	4,278	2,722
Equipment Rental/Service Contracts	9,650	8,435	1,215
Employee Benefits	386,745	352,443	34,302
Payroll Expenses	1,054,235	890,472	163,763
Insurance	41,000	37,784	3,216
Office Expenses	18,350	14,025	4,325
Website Expenses	2,000		2,000
Telephone	4,500	4,366	134
Vehicle Expenses	18,200	20,675	(2,475)
Workshop, Meetings & Training	12,500	7,790	4,710
Contracted Services with CASCD		18,315	(18,315)
General			
Roundtable	3,000	2,677	323
Poster Contest	350	50	300
Miscellaneous	724	630	94
Workshop, Meetings & Training		1,229	(1,229)
Grant Project Expenses	44,312	15,079	29,233
Total Expenditures	\$ 1,773,558	1,431,844	\$ 341,714
Adjustment			
Depreciation		28,534	
Fixed Assets Additions		(4,245)	
Total Expenditures - to Exhibit B		\$ 1,456,133	

The accompanying Notes to Financial Statements are an integral part of this statement.

SCHEDULE 2

OCEAN COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-Through Program Title	Federal CFDA Number	Grant Award Amount	Grant Period From To	Balance June 30, 2018	Cash Received	Expenditures	Adjustment	Balance June 30, 2019 (Accounts Receivable)	Unearned Revenue
US Dept. of Agriculture: National Association of Conservation Districts Urban Agriculture Conservation Initiative	10.902	\$ 50,000	8/1/17 11/30/18	\$ 13,162	\$	(13,642)	\$ 480	\$	
US Environmental Protection Agency Ocean County College Experience Jersey-Friendly Yards!	66.456	10,000	5/23/17 11/23/18	(1,949)	2,559	(610)			
				\$ 11,213	\$ 2,559	\$ (14,252)	\$ 480	\$	

The Ocean County Soil Conservation District is not subject to federal or state single audit requirements.

The accompanying Notes to the Financial Statements are an integral part of this schedule

OCEAN COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2019

COMMENTS

Administrative Practices and Procedures

Purchases shall be in conformance with the State Public Contracts Law for securing formal bids in excess of \$17,500 and on quotations for purchases over \$2,625, where it is possible to solicit more than one quotation. If there is a reason why quotations are not solicited, a brief explanation regarding this should be documented and included in the District minutes. For purchases, which are unusual or not routine in nature, a policy should be adopted addressing such purchases. Any suggested policy should be reviewed with the solicitor. In addition, when making purchases utilizing the state contract system, the award of such a contract shall be authorized by a resolution of the Board of Supervisors as required by **N.J.A.C. 5:34-1.2**. No exceptions were noted.

Chapter 251 fees collected appear to be in accordance with the adopted fee schedule.

Revenues and receipts were properly recorded within the District's accounting records.

The District made deposits within the required 5 business days.

According to the revised **Financial Accounting Manual for New Jersey Soil Conservation Districts**, various internal controls must be in place and followed, in order to demonstrate that an appropriate control environment exists over disbursements by check. For example, checks issued in excess of \$1,000 must have two signatures. No exceptions were noted.

Purchases were made with the proper authorizations.

The District made deposits within the required 5 business days.

The Internal Revenue Service regulations require that Form 1099-M be filed for each unincorporated person to whom at least \$600 for services was paid. No exceptions were noted.

Financial Planning, Accounting and Reporting

In August 2015, a revised **Financial Accounting Manual for New Jersey Soil Conservation Districts** was adopted by the NJ State Soil Committee, which contained a new uniform budget format. The 2018-19 District budget was presented in the format prescribed by the revised financial accounting manual.

The **Financial Accounting Manual for New Jersey Soil Conservation Districts** indicates that, as of June 30, 1992, the accounting period to be used by all soil conservation districts was to be the same as that of the State of New Jersey.

OCEAN COUNTY SOIL CONSERVATION DISTRICT

COMMENTS AND RECOMMENDATIONS

FOR THE YEAR JUNE 30, 2019

The Chapter 251 Reserve Fund Balance shall be evaluated annually by the District Board to determine its adequacy based on the Chapter 251 workload obligations remaining to be completed. Districts have the ability to assess additional fees beyond the initial fees received following the exhaustion of the original fees received. Once the district is able to determine the amount of money on hand for each individual file a total will be calculated at the end of each fiscal year during the audit. This total amount of all funds for each 251 project will determine the reserve needed by each district. The district should have as a target at the end of each fiscal year of having close to 100% of the restricted reserves for 251 projects to complete those projects still active. Anything less than 110% for this purpose serves as a warning that reserves may not be sufficient to complete projects as additional fees for projects may not be collected or additional inspections are needed requiring additional funds. The District has met the 110% reserve requirement.

FINDINGS:

None

Status of Prior Year Recommendations

None

APPRECIATION

We wish to express our appreciation for the assistance and courtesies rendered to us by the officials during the course of the audit.

Should any questions arise as to our comments, please do not hesitate to call us.