

**BURLINGTON COUNTY SOIL
CONSERVATION DISTRICT**

Springfield, New Jersey
County of Burlington

**AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)**

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BURLINGTON COUNTY SOIL CONSERVATION

DISTRICT ROSTER OF OFFICIALS

JUNE 30, 2019

BOARD OF SUPERVISORS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|---------------------|----------------------------|
| Gina A. Berg | Chair | June 2022 |
| Daniel J. Caldwell | Vice- Chairman | June 2021 |
| Thomas E. Budd | Treasurer | June 2021 |
| Audrey Winzinger | Supervisor | June 2022 |
| Rosemarie Robson | Supervisor | June 2022 |

ADMINISTRATIVE OFFICIALS

| | |
|------------------|------------------|
| Robert Reitmeyer | District Manager |
|------------------|------------------|

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Burlington County Soil Conservation District
Springfield, New Jersey

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Burlington County Soil Conservation District, County of Burlington, State of New Jersey, as of June 30, 2019, and the related statement of activities and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New Jersey Department of Agriculture's Financial Accounting Manual; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 regulatory 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 Burlington County Soil Conservation District, as of June 30, 2019, or the results of its operations and changes in net position and its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Burlington 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burlington County Soil Conservation District's basic financial statements. The supplemental schedules such as the schedule of budget versus actual expenditures and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of expenditures of budget versus actual expenditures is presented for purposes of additional analysis as required by the New Jersey Department of Agriculture's Financial Accounting Manual. These schedules were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2019, on our consideration of the Burlington County 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 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 the Burlington County Soil Conservation District's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 24, 2019
Medford, New Jersey

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**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***

Board of Supervisors
Burlington County Soil Conservation District
Springfield, New Jersey

We have audited, in accordance with the 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 audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual, the financial statements-regulatory basis of the Burlington 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 Burlington County Soil Conservation District's basic financial statements, and have issued our report thereon dated October 24, 2019. Our report indicated that the District's financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting 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 Burlington County Soil Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burlington County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burlington County 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Burlington County Soil Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 24, 2019
Medford, New Jersey

BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

| ASSETS | Temporarily Restricted | | | | | | | Totals | | |
|--|------------------------|-----------------|-------------|-------------------------|-------------------|------------------------------|-------------------------------|-----------------------|-----------------|-----------------|
| | Unrestricted | Chapter 251 | NFWF Grant | NRCS Program Assistance | Fixed Assets Fund | Renewal and Replacement Fund | Reserve for Future Legal Cost | Employee Benefit Fund | 2019 | 2018 |
| | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash | \$ 444,465.29 | \$ 1,114,332.29 | \$ 7,776.52 | \$ 14,114.95 | \$ - | \$ 400,000.00 | \$ 150,000.00 | \$ 120,000.00 | \$ 2,250,689.05 | \$ 2,272,901.80 |
| Operating Funds | 100.00 | - | - | - | - | - | - | - | 100.00 | 100.00 |
| Change Fund | | | | | | | | | | |
| Accounts Receivable: | | | | | | | | | | |
| N.J. State Stormwater (RFA) | 5,200.00 | - | - | - | - | - | - | - | 5,200.00 | 3,950.00 |
| Total Current Assets | 449,765.29 | 1,114,332.29 | 7,776.52 | 14,114.95 | - | 400,000.00 | 150,000.00 | 120,000.00 | 2,255,989.05 | 2,276,951.80 |
| Property, Plant and Equipment (Note 1) | | | | | | | | | | |
| Equipment | - | - | - | - | 101,326 | - | - | - | 101,326.48 | 101,326.48 |
| Well | - | - | - | - | 30,867.00 | - | - | - | 30,867.00 | 30,867.00 |
| Land Improvements | - | - | - | - | 98,162.70 | - | - | - | 98,162.70 | 98,162.70 |
| Building | - | - | - | - | 1,881,185.89 | - | - | - | 1,881,185.89 | 1,881,185.89 |
| Less: Accumulated Depreciation | - | - | - | - | 2,111,542.07 | - | - | - | 2,111,542.07 | 2,111,542.07 |
| Total Fixed Assets - Net of Depreciation | - | - | - | - | 808,979.20 | - | - | - | 808,979.20 | 746,470.68 |
| | - | - | - | - | 1,302,562.87 | - | - | - | 1,302,562.87 | 1,365,071.39 |
| Total Assets | \$ 449,765.29 | \$ 1,114,332.29 | \$ 7,776.52 | \$ 14,114.95 | \$ 1,302,562.87 | \$ 400,000.00 | \$ 150,000.00 | \$ 120,000.00 | \$ 3,558,551.92 | \$ 3,642,023.19 |
| LIABILITIES | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts Payable | \$ - | \$ 2,774.35 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,774.35 | \$ 1,650.45 |
| Due State of New Jersey | 1,560.00 | 1,150.00 | - | - | - | - | - | - | 2,710.00 | 5,870.00 |
| Unearned Revenue | - | - | 7,776.52 | 14,114.95 | - | - | - | - | 21,891.47 | 7,391.86 |
| Accrued Payroll and Payroll Taxes, Including Withheld Portions | 3,949.31 | - | - | - | - | - | - | - | 3,949.31 | 4,165.15 |
| Total Current Liabilities | 5,509.31 | 3,924.35 | 7,776.52 | 14,114.95 | - | - | - | - | 31,325.13 | 19,077.46 |
| NET POSITION AND RESERVES | | | | | | | | | | |
| Unrestricted Net Position | 444,255.98 | - | - | - | - | - | - | - | 444,255.98 | 298,242.22 |
| Temporarily Restricted Net Position and Reserves: | | | | | | | | | | |
| Reserve for Future Soil Erosion and Sediment Control Act Expenditures (Note 2) | - | 1,110,407.94 | - | - | - | - | - | - | 1,110,407.94 | 1,289,632.12 |
| Reserve for Post Retirement Benefit Fund (Note 15) | - | - | - | - | - | - | - | 60,000.00 | 60,000.00 | 60,000.00 |
| Reserve for Future Legal Costs (Note 3) | - | - | - | - | - | - | 150,000.00 | - | 150,000.00 | 150,000.00 |
| Reserve for Capital Improvements (Note 4) | - | - | - | - | - | 250,000.00 | - | - | 250,000.00 | 250,000.00 |
| Reserve for Office Property and Building Maintenance (Note 4) | - | - | - | - | - | 150,000.00 | - | - | 150,000.00 | 150,000.00 |
| Investment in Property, Plant, and Equipment | - | - | - | - | - | - | - | - | 1,302,562.87 | 1,365,071.39 |
| Reserve for Compensated Absences (Note 16) | - | - | - | - | - | - | - | 60,000.00 | 60,000.00 | 60,000.00 |
| Total Net Position and Reserves | 444,255.98 | 1,110,407.94 | - | - | 1,302,562.87 | 400,000.00 | 150,000.00 | 120,000.00 | 3,527,226.79 | 3,622,945.73 |
| Total Current Liabilities, Net Position and Reserves | \$ 449,765.29 | \$ 1,114,332.29 | \$ 7,776.52 | \$ 14,114.95 | \$ 1,302,562.87 | \$ 400,000.00 | \$ 150,000.00 | \$ 120,000.00 | \$ 3,558,551.92 | \$ 3,642,023.19 |

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

BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

| | | Temporarily Restricted | | | | | Totals | | |
|---|--|------------------------|-------------|------------|-------------------------|-------------------|------------------------------|-------------------------------|-----------------------|
| | | Unrestricted | Chapter 251 | NFWF Grant | NRCS Program Assistance | Fixed Assets Fund | Renewal and Replacement Fund | Reserve for Future Legal Cost | Employee Benefit Fund |
| Support and Revenue | | | | | | | | | |
| Soil Erosion and Sediment Control Act Fees | | | | | | | | | |
| Chapter 251- Non-Compliance Fees | | | | | | | | | |
| Municipal Agreements | | | | | | | | | |
| NFWF Grant (Note 17) | | | | | | | | | |
| Interest | | | | | | | | | |
| N.J. Stormwater Funds (RFA) | | | | | | | | | |
| Open Space Grant | | | | | | | | | |
| Rental Income (Note 12) | | | | | | | | | |
| Federal Facility Fees | | | | | | | | | |
| Training Seminars | | | | | | | | | |
| Other Income | | | | | | | | | |
| | | | | | | | | | |
| Total Support and Revenue | | | | | | | | | |
| Expenditures | | | | | | | | | |
| Advertising | | | | | | | | | |
| District Technology | | | | | | | | | |
| Dues and Subscriptions | | | | | | | | | |
| Donations and Contributions | | | | | | | | | |
| Envirothon | | | | | | | | | |
| Equipment and Maintenance | | | | | | | | | |
| Expense Reimbursement | | | | | | | | | |
| Facility Maintenance | | | | | | | | | |
| Fringe Benefits | | | | | | | | | |
| Insurance - Car and Liability | | | | | | | | | |
| Insurance - Employer | | | | | | | | | |
| Insurance - Health | | | | | | | | | |
| Meetings, Seminars and Conferences | | | | | | | | | |
| Miscellaneous | | | | | | | | | |
| Office Supplies | | | | | | | | | |
| Open Space Expenses | | | | | | | | | |
| Other Expense | | | | | | | | | |
| Postage | | | | | | | | | |
| Printing | | | | | | | | | |
| Professional Fees | | | | | | | | | |
| Salaries and Wages | | | | | | | | | |
| Supervisor/Staff Apparel | | | | | | | | | |
| Depreciation | | | | | | | | | |
| Travel and Related Expenses | | | | | | | | | |
| Utilities | | | | | | | | | |
| | | | | | | | | | |
| Total Expenditures | | | | | | | | | |
| Excess(Deficiency) of Support and Revenue Over Expenditures | | | | | | | | | |
| Net Position, Beginning of Year | | | | | | | | | |
| Non-Operating Sources and Uses: | | | | | | | | | |
| Transfer to Chapter 251 Reserve | | | | | | | | | |
| Net Position, End of Year | | | | | | | | | |

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

BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------------|-------------------------------|
| <u>Cash Flows Provided (Used) by Operating Activities</u> | | |
| Excess (Deficiency) of Support and Revenue over Expenditures | \$ (95,718.94) | \$ (198,274.40) |
| Adjustments to Reconcile Excess (Deficiency) of Support and Revenue over Expenditures to Net Cash Provided by Operating Activities: | | |
| Non-Cash Items Included in Income: | | |
| Depreciation | 62,508.52 | 65,103.71 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (1,250.00) | 2,053.44 |
| (Increase) Decrease in Prepaid Expenses | - | 2,816.00 |
| (Decrease) Increase in Unearned Revenue | 14,499.61 | 7,391.86 |
| (Decrease) Increase in Accounts Payable | (2,036.10) | 1,175.54 |
| (Decrease) Increase in Payroll Deductions Payable | (215.84) | 616.39 |
| Cash (Used) by Operations | <u>(22,212.75)</u> | <u>(119,117.46)</u> |
| Net Increase in Cash for the Year | (22,212.75) | (119,117.46) |
| Cash and Cash Equivalents - Beginning of Year | <u>2,273,001.80</u> | <u>2,392,119.26</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 2,250,789.05</u></u> | <u><u>\$ 2,273,001.80</u></u> |

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**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
COUNTY OF BURLINGTON**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity

Burlington 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.

Organization

The District is a governmental subdivision of the State of New Jersey, and a public body corporate and politic, located in the District of Springfield, County of Burlington. It was organized in 1959 in accordance with the provisions of the Soil Conservation Act, N.J.S.A. 4:24 et seq.

The supervisors serve staggered three-year terms with the nominations made by an open public forum and the appointments of the nominees are made by the State Soil Conservation Committee each June on a rotating basis.

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.

Basis of Accounting

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

All of the District's funds are accounted for using the accrual basis of accounting. Support and revenue are recognized when they become 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 the assets, liabilities, Net Position, support, revenue 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.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Asset acquired is 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 |
| Furniture | 10 Years |
| Land Improvements | 15 Years |
| Building and Improvements | 40 Years |

Amortization of Financing Costs

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

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 of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenditures. Accordingly, actual results may differ from those estimates.

Reclassifications

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

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.

Support and Expenses

Contributions and restricted grant revenues are measured at their fair 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 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 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.

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.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Property, Plant and Equipment - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Temporarily Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Note 2: RESERVE FOR FUTURE SOIL EROSION AND
SEDIMENT CONTROL ACT EXPENDITURES**

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to 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.

Prior to the 2015-16 year, this reserve was limited to a calculation involving certification fees collected during the current and two preceding years, multiplied by certain percentages per year. However, in August 2015, the District adopted a revised Financial Accounting Manual, which no longer utilizes this calculation. As such, the June 30, 2019 Reserve for Future Soil Erosion and Sediment Control Act Expenditures was \$1,110,408, as compared to \$1,289,632 in the prior year. A transfer from Unrestricted to Temporarily Restricted Chapter 251 Reserve in the amount of \$14,856 was needed in order to satisfy the reserve for active projects.

Note 3: 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 balance in the reserve as of June 30, 2019 is \$150,000.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 4: RENEWAL AND REPLACEMENT FUNDS

The District has established a Renewal and Replacement Fund to provide a Reserve for Capital Improvements in the amount of \$250,000 and a Reserve for Office Property and Building Maintenance Costs in the amount of \$150,000. The purpose of these reserves is to meet the future repair costs of the existing facility.

Note 5: CASH AND CASH EQUIVALENTS

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 Burlington County Soil Conservation District considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 6: 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 17:9-411 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 \$2,278,233 was exposed to custodial credit risk as follows:

| | |
|-----------------|--------------------|
| Insured by FDIC | \$2,259,152 |
| Uninsured Cash | <u>19,081</u> |
| | <u>\$2,278,233</u> |

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term 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 additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2019, the District had \$22,470 on deposit with the New Jersey Cash Management Fund.

Note 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.

BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 8: CONTINGENT LIABILITIES

Per confirmation by the Burlington 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.

Note 9: OPERATING LEASES

At June 30, 2019, the District had an operating lease agreement for one copy machine. Future minimum lease payments are as follows:

Year Ending June 30:

| | <u>Amount</u> |
|-------------------------------------|---------------------------|
| 2020 | \$ 992.88 |
| 2021 | 992.88 |
| 2022 | 992.88 |
| 2023 | 992.88 |
| 2024 | <u>579.18</u> |
| Total future minimum lease payments | <u><u>\$ 4,550.70</u></u> |

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were 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 |

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 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued)

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.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the District's contractually required contribution to the PERS plan was \$33,488.

Components of Net Pension Liability - At December 31, 2018, the District's proportionate share of the PERS net pension liability was \$662,891. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, which was rolled forward to 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 .003367% which was an increase of .00013% from its proportion measured as of June 30, 2017.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued):

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$36,747. This expense is not recognized by the District because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the District contributed \$33,488 to the plan in 2018.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|---|
| Differences between Expected and Actual Experience | \$ 12,641 | \$ 3,418 |
| Changes of Assumptions | 109,233 | 211,957 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | 6,218 |
| Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions | 64,827 | - |
| District Contributions Subsequent to Measurement Date | - | - |
| | <u>\$ 186,701</u> | <u>\$ 221,593</u> |

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued):

The District will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|--|---|--|
| Differences between Expected and Actual Experience | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | - | - |
| June 30, 2015 | 5.72 | - |
| June 30, 2016 | 5.57 | - |
| June 30, 2017 | 5.48 | - |
| June 30, 2018 | 5.63 | - |
| Changes of Assumptions | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | 6.44 | - |
| June 30, 2015 | 5.72 | - |
| June 30, 2016 | 5.57 | - |
| June 30, 2017 | - | 5.48 |
| June 30, 2018 | - | 5.63 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | - | 5.00 |
| June 30, 2015 | - | 5.00 |
| June 30, 2016 | 5.00 | - |
| June 30, 2017 | 5.00 | - |
| June 30, 2018 | 5.00 | - |
| Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions | | |
| Year of Pension Plan Deferral: | | |
| June 30, 2014 | 6.44 | 6.44 |
| June 30, 2015 | 5.72 | 5.72 |
| June 30, 2016 | 5.57 | 5.57 |
| June 30, 2017 | 5.48 | 5.48 |
| June 30, 2018 | 5.63 | 5.63 |

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued):

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

| Year Ending Dec 31, | Amount |
|--------------------------------|---------------|
| 2019 | \$ 12,377 |
| 2020 | 6,522 |
| 2021 | (7,105) |
| 2022 | (38,263) |
| 2023 | (8,426) |
| | \$ (34,895) |

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | |
|--|------------------------------|
| Inflation | 2.25% |
| Salary Increases: | |
| Through 2026 | 1.65% - 4.15% Based on Age |
| Thereafter | 2.65% - 5.15% Based on Age |
| Investment Rate of Return | 7.00% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience | |
| Study upon which Actuarial Assumptions were Based | July 1, 2011 - June 30, 2014 |

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.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued):

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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, 2016 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| Risk Mitigation Strategies | 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% |
| Credit 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% |
| | <u>100.00%</u> | |

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 10: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS) (Continued):

Discount Rate - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on 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 municipals 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. 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.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the 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 Rate (5.66%) | 1% Increase (6.66%) |
|--|------------------------------------|--|------------------------------------|
| District's Proportionate Share of the Net Pension Liability | \$ 833,508 | \$ 662,891 | \$ 519,753 |

Note 11: 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.

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.

New Jersey Unemployment Compensation Insurance

The District covers its employees on a cost experience basis under the New Jersey Unemployment Trust Fund by the "contributions" method. Under this method, a contribution rate is established annually for the District share of unemployment tax.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 12: RENTAL INCOME

During fiscal year 2006-07, the District began renting office space to three Federal Agencies at \$9,304 per month. Rental space decreased from 6,047 square feet to 5,800 square feet during the 2009-2010 year and the rental charge per square foot was \$21.75 over the past year. Total rental income was \$125,425 for fiscal year end June 30, 2019.

Note 13: SURETY BONDS

An honesty blanket bond in the amount of \$750,000 was maintained covering all district personnel handling cash with a \$2,000 deductible.

Note 14: REQUEST FOR AUTHORIZATION - (RFA)

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.

Note 15: RESERVE FOR POST RETIREMENT BENEFITS

The District Maintains a Post Retirement Benefit Reserve account, which covers its employees on a pay-as-you-go basis. Under this method, an annual provision is made and charged against the operating budget of the District. The balance as of June 30, 2019 is \$60,000.

Note 16: RESERVE FOR COMPENSATED ABSENCES

All permanent, full-time temporary and full-time hourly employees are entitled to paid sick leave days. Sick leave days with pay are accumulated on the basis of fifteen paid sick leave days in every calendar year. Unused sick leave may be accumulated and carried forward for an unlimited period of time. Upon leaving employment, unused earned sick leave may be cashed in at one-half their value up to a maximum of \$15,000.

All full-time employees are entitled to annual vacation leave with pay. Vacation leave with pay is earned at the rate of one vacation day per month during the first calendar year of employment after initial appointment, twelve vacation days thereafter for every year and up to five years of service, fifteen vacation days after the completion of five years and up to twelve years of service, twenty vacation days after the completion of twelve years and up to twenty years of service, and twenty-five vacation days after the twentieth year of service. Unused vacation leave may be carried forward into the succeeding year only when approved by the District Supervisor, but not to exceed one year's allowance. Permanent paid-time employees are entitled to receive paid vacation leave on a proportionate basis. The District does not record accrued expenses related to compensated absences, but have instead been reserved. The balance in the reserve as of June 30, 2019 is \$60,000.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 17: NATIONAL FISH AND WILDLIFE FOUNDATION

On February 10, 2016, the District entered into an agreement with the National Fish and Wildlife Foundation (NFWF) to provide assistance with the installing multi-species crop mix and other practices included in the Natural Resources Conservation Service New Jersey Soil Health Initiative which will serve as demonstration farms to use as examples in a series of outreach and educational events. The District shall be reimbursed for allowable costs incurred as a result of this project for an amount not to exceed \$50,000.

On November 15, 2018, the District entered into another agreement with the National Fish and Wildlife Foundation (NFWF) increase local knowledge and participation in federal Farm Bill programs by partnering with conservation agencies and operators in the Kirkwood-Cohansey sub-watershed, employing education programs and demonstration projects to improve the number of working farms applying soil and water conservation practices to agricultural land in order to improve farm practice efficiency. The District shall be reimbursed for allowable costs incurred as a result of this project for an amount not to exceed \$50,200.

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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. 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 participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a 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.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan (Continued)

State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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 expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers 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, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Net OPEB Liability

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:

| | |
|---------------------------|----------------|
| Inflation Rate | 2.50% |
| Salary Increases*: | |
| Through 2026 | 1.65% to 8.98% |
| Thereafter | 2.65% to 9.98% |

* - Salary Increases are based on the defined benefit plan that
the member is enrolled in and his or her age.

OPEB Obligation and OPEB Expense –

The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the District's as of June 30, 2018 was \$1,058,907.00. The District's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the District was 0.006759%, which was an increase of 0.001040% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$53,953.00 for the State's proportionate share of the OPEB expense attributable to the District. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPEB Obligation and OPEB Expense (Continued)

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS).

The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

| | At 1% Decrease (2.87%) | At Discount Rate (3.87%) | At 1% Increase (4.87%) |
|--|---------------------------|-----------------------------|---------------------------|
| State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The District | \$ 1,242,377.87 | \$ 1,058,907.00 | \$ 912,355.30 |
| State of New Jersey's Total Nonemployer OPEB Liability | 18,381,085,096.00 | 15,666,618,141.00 | 13,498,373,388.00 |

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPEB Obligation and OPEB Expense (Continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the 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:

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|---|-------------------|-------------------------------|-------------------|
| State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the District | \$ 883,298.22 | \$ 1,058,907.00 | \$ 1,286,170.86 |
| State of New Jersey's Total Nonemployer OPEB Liability | 13,068,471,450.00 | 15,666,618,141.00 | 19,029,006,023.00 |

Additional Information – The following is a summary of the collective balances of the local group at June 30, 2018:

| | 6/30/2019 | 6/30/2018 |
|---|---------------------|---------------------|
| Collective Deferred Outflows of Resources | \$ 2,115,007,508.00 | \$ 1,151,561,955.00 |
| Collective Deferred Inflows of Resources | 9,261,653,464.00 | 3,414,042,238.00 |
| Collective Net OPEB Liability | 15,666,618,141.00 | 20,415,788,739.00 |
| District's Portion | 0.006759% | 0.005719% |

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|----------------------|------------------------------|
| Year Ending June 30: | |
| 2019 | \$ (1,049,390,011.00) |
| 2020 | (1,049,390,011.00) |
| 2021 | (1,049,390,011.00) |
| 2022 | (1,050,264,681.00) |
| 2023 | (1,051,678,489.00) |
| Thereafter | (1,896,532,753.00) |
| | <u>\$ (7,146,645,956.00)</u> |

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPEB Obligation and OPEB Expense (Continued)

Changes in Proportion

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

Plan Membership

At June 30, 2017, the Program membership consisted of the following:

| | <u>June 30, 2017</u> |
|---------------------------------------|----------------------|
| Active Plan Members | 61,789 |
| Retirees Currently Receiving Benefits | <u>26,277</u> |
| Total Plan Members | <u><u>88,066</u></u> |

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

| | |
|---|------------------------------------|
| Service Cost | \$ 896,235,148.00 |
| Interest on the Total OPEB Liability | 764,082,232.00 |
| Differences Between Expected and Actual Experience | (3,626,384,047.00) |
| Changes of Assumptions | (2,314,240,675.00) |
| Contributions From the Employer | (421,194,662.00) |
| Contributions From Non-Employer Contributing Entity | (53,548,285.00) |
| Net Investment Income | (2,320,422.00) |
| Administrative Expense | <u>8,200,113.00</u> |
| Net Change in Total OPEB Liability | (4,749,170,598.00) |
| Total OPEB Liability (Beginning) | <u>20,415,788,739.00</u> |
| Total OPEB Liability (Ending) | <u><u>\$ 15,666,618,141.00</u></u> |

Note 19: SUBSEQUENT EVENTS

There were no material events between June 30, 2019 and October 24, 2019 affecting the financial status of the Burlington County Soil Conservation District.

**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF BUDGET VERSUS ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

| | Budget After Transfers | Actual | Under (Over) Budget |
|-----------------------------------|---------------------------|----------------------|------------------------|
| <u>Expenditures</u> | | | |
| Advertising | \$ 300.00 | \$ 1,023.58 | \$ (723.58) |
| Ch. 251 Administrative Fees | 4,000.00 | 4,525.00 | (525.00) |
| Contingency | 15,000.00 | - | 15,000.00 |
| Credit Card | 50.00 | - | 50.00 |
| District Technology | 12,000.00 | 6,266.57 | 5,733.43 |
| Donations and Contributions | 5,000.00 | 489.16 | 4,510.84 |
| Dues and Subscriptions | 2,500.00 | 2,855.98 | (355.98) |
| Equipment and Maintenance | 1,000.00 | 512.36 | 487.64 |
| Envirothon | 500.00 | - | 500.00 |
| Expense Reimbursement | 4,500.00 | 2,236.30 | 2,263.70 |
| Facility Maintenance Expense | 30,000.00 | 26,534.18 | 3,465.82 |
| Fringe Benefits | 70,000.00 | 64,006.43 | 5,993.57 |
| Furniture Acquisition | 1,000.00 | - | 1,000.00 |
| Insurance- Auto and Liability | 23,000.00 | 29,772.26 | (6,772.26) |
| Insurance- Employer | 8,000.00 | 6,232.50 | 1,767.50 |
| Insurance- Health | 148,000.00 | 151,039.52 | (3,039.52) |
| Meeting Meals | 800.00 | 454.65 | 345.35 |
| Meetings and Seminars | 2,500.00 | 1,552.02 | 947.98 |
| Miscellaneous Expense | - | 74.79 | (74.79) |
| NFWF Grant Expenses | 42,000.00 | - | 42,000.00 |
| Office Supplies | 5,500.00 | 5,291.72 | 208.28 |
| Open Space Expenses | 100,000.00 | 52,801.00 | 47,199.00 |
| Petty Cash | 500.00 | 291.82 | 208.18 |
| Postage | 2,500.00 | 2,338.49 | 161.51 |
| Printing | 500.00 | 390.00 | 110.00 |
| Professional Fees | 9,000.00 | 9,576.94 | (576.94) |
| Reserve for SE & SC Expenditures | 65,000.00 | - | 65,000.00 |
| Reserve for Retirement Costs | 10,000.00 | - | 10,000.00 |
| Reserve for Legal Costs | 10,000.00 | - | 10,000.00 |
| RFA Reimbursement to State | 8,000.00 | 5,555.00 | 2,445.00 |
| Salaries and Wages | 330,000.00 | 336,838.95 | (6,838.95) |
| Training | 5,000.00 | - | 5,000.00 |
| Travel Expenses | 6,000.00 | 3,888.13 | 2,111.87 |
| Travel Non-District | 3,500.00 | 1,162.15 | 2,337.85 |
| Utilities | 27,000.00 | 25,231.97 | 1,768.03 |
| Supervisor/Staff Apparel | 800.00 | - | 800.00 |
| Misc Expense Reimbursements | - | 3,250.95 | (3,250.95) |
| | <u>\$ 953,450.00</u> | <u>744,192.42</u> | <u>\$ 209,257.58</u> |
| Adjustments: | | | |
| Depreciation | | <u>62,508.52</u> | |
| Total Expenditures - to Exhibit B | | <u>\$ 806,700.94</u> | |

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**BURLINGTON COUNTY SOIL CONSERVATION DISTRICT
COUNTY OF BURLINGTON**

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

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**Burlington County Soil Conservation District
Comments and Recommendations
For the Year Ended June 30, 2019**

We have audited the basic financial statements of the Burlington County Soil Conservation District, County of Burlington, State of New Jersey for the year ended June 30, 2019. In accordance with requirements prescribed by the New Jersey Department of Agriculture's Financial Accounting Manual, the following are the *General Comments and Recommendations* for the year then ended.

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.G.5:34-1.2. No exceptions were noted.

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

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.

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.

Computerized Accounting System

The District maintains a computerized accounting system on a cash basis. It is suggested that adjustments for other non-cash activity be periodically recorded.

RECOMMENDATIONS

None.

Status of Prior Year Recommendations

There were no prior year recommendations.

APPRECIATION

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

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

October 24, 2019
Medford, New Jersey