

**HUDSON-ESSEX-PASSAIC
SOIL CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

TABLE OF CONTENTS

JUNE 30, 2021

PART I

INDEPENDENT AUDITOR'S REPORT	1 - 3
EXHIBIT A STATEMENT OF FINANCIAL POSITION	4
EXHIBIT B STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION	5
EXHIBIT C STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 23

SUPPLEMENTARY DATA

ROSTER OF OFFICIALS	24
EXHIBIT D STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES/TRANSFERS	25

PART II

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	26 - 28
SCHEDULE OF FINDINGS AND RESPONSES	29
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	30
GENERAL COMMENTS	31 - 32
RECOMMENDATIONS	33
STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS	33

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED JUNE 30, 2021



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUYA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Hudson-Essex-Passaic Soil Conservation District
Bloomfield, NJ 07003

Report on the Financial Statements

We have audited the accompanying financial statements of the Hudson-Essex-Passaic Soil Conservation District, in the County of Essex, which comprise the statement of financial position - regulatory basis, as of June 30, 2021, the related statement of activities and changes in net position - regulatory basis, and of cash flows - regulatory basis, 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 basis of accounting prescribed by the New Jersey Department of Agriculture. 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audit requirements prescribed by the New Jersey Department of Agriculture, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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 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 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. General 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 various individual funds and account groups of the District as of June 30, 2021, or the results of its activities and changes in net position for the year then ended.

Basis for Modified Opinion

Management has not updated the net other post-employment benefit obligation to a measurement date acceptable under current accounting standards for the year ended June 30, 2021. Government Accounting Standards Board Statement No. 75 requires a state or local government employer to recognize an other post-employment benefit obligation measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources, net pension and net post-employment benefit obligation has not been determined.

Modified Opinion

In our opinion, except for the effects of the matter described in the "*Basis for Modified Opinion*" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Hudson-Essex-Passaic Soil Conservation District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The 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 Financial Accounting Manual in accordance with those standards regarding the statement of budget versus actual expenditures and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements 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 Financial Accounting Manual. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of the Hudson-Essex-Passaic Soil Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson-Essex-Passaic Soil Conservation District's internal control over financial reporting and compliance.

Thomas M. Ferry

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Wielkotz & Company, LLC

Wielkotz & Company, LLC
Certified Public Accountants

Rockaway, New Jersey

December 16, 2021



HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION - REGULATORY BASIS

JUNE 30, 2021

	Unrestricted Funds	Reserves			Total
		Chapter 251 Reserves	Various Reserves	Equipment Fund	
<u>ASSETS</u>					
Current Assets:					
Cash and Cash Equivalents	146,780	3,900	-	-	150,680
State of New Jersey Cash Management Fund	-	443,973	-	-	443,973
Certificate of Deposits	-	349,669	473,745	-	823,414
Other Receivables	-	762	-	-	762
Accrued Interest	-	1,547	-	-	1,547
Total Current Assets	<u>146,780</u>	<u>799,850</u>	<u>473,745</u>	<u>-</u>	<u>1,420,375</u>
Property and Equipment:					
Buildings and Land	-	-	-	781,534	781,534
Office Furniture and Equipment	-	-	-	99,083	99,083
Total Property and Equipment	-	-	-	880,617	880,617
Less: Accumulated Depreciation	-	-	-	(216,241)	(216,241)
Total Property and Equipment Net of Depreciation	-	-	-	664,376	664,376
TOTAL ASSETS	<u>146,780</u>	<u>799,850</u>	<u>473,745</u>	<u>664,376</u>	<u>2,084,751</u>
<u>LIABILITIES, NET POSITION AND RESERVES</u>					
Current Liabilities:					
Accounts Payable & Accrued Expenses	-	7,152	-	-	7,152
Performance Deposits Payable	-	12,800	-	-	12,800
RFA Payable To State of New Jersey	-	(360)	-	-	(360)
NJDA Chapter 251 Fees Payable	-	5,445	-	-	5,445
Total Current Liabilities	-	25,037	-	-	25,037
Net Position and Reserves:					
Unrestricted Net Position	146,780	-	-	-	146,780
Reserve for Future Legal Cost	-	-	22,980	-	22,980
Reserve for Post-Retirement Medical	-	-	450,765	-	450,765
Reserve for Chapter 251	-	774,813	-	-	774,813
Reserve for Equipment	-	-	-	664,376	664,376
Total Net Position and Reserves	<u>146,780</u>	<u>774,813</u>	<u>473,745</u>	<u>664,376</u>	<u>2,059,714</u>
Total Liabilities, Reserves and Net Position	<u>146,780</u>	<u>799,850</u>	<u>473,745</u>	<u>664,376</u>	<u>2,084,751</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2021

	Unrestricted Funds	Chapter 251	Reserves		Total
			Various Reserves	Equipment Fund	
Support and Revenue:					
Soil Erosion and Sediment					
Control Act Fees	-	759,776	-	-	759,776
Stormwater Permitting	-	33,915	-	-	33,915
Exemption Income	-	28,300	-	-	28,300
Bonding Administrative Fee	-	9,750	-	-	9,750
Other Income	-	1,184	-	-	1,184
Operating Budget	-	-	7,780	-	7,780
Total Support and Revenue	-	832,925	7,780	-	840,705
Expenditures:					
Salaries and Wages	-	500,514	-	-	500,514
Employee Benefits	-	143,489	-	-	143,489
Cash-In-Lieu - Medical Benefits	-	4,300	-	-	4,300
Payroll Taxes	-	40,675	-	-	40,675
Pension Expense	-	65,732	-	-	65,732
Legal & Professional Fees	-	16,851	7,120	-	23,971
Repairs & Maintenance	-	13,772	-	-	13,772
Meetings & Conferences	-	316	-	-	316
Travel	-	20,491	-	-	20,491
Utilities	-	5,549	-	-	5,549
Telephone Expenses	-	7,773	-	-	7,773
Insurance	-	9,901	-	-	9,901
Dues, Licenses & Fees	-	2,241	-	-	2,241
Office, Postage & Miscellaneous	-	26,590	-	-	26,590
Charitable Contributions	-	50	-	-	50
Refund of Prior Year Revenue	-	3,619	-	-	3,619
Other Expenses	-	8,018	-	-	8,018
Depreciation Expense	-	-	-	25,530	25,530
Total Expenditures	-	869,880	7,120	25,530	902,530
Excess (Deficiency) of Support and Revenue Over Expenditures	-	(36,955)	660	(25,530)	(61,825)
Non- Operating Revenue					
Interest on Investments	-	13,440	-	-	13,440
Net Income (Loss)	-	(23,514)	660	(25,530)	(48,384)
Net Position, Beginning of Year	146,780	800,116	473,085	688,118	2,108,099
Transfer of Net Position					
Purchase of Property and Equipment	-	(1,789)	-	1,789	-
Net Position, End of Yea	146,780	774,813	473,745	664,376	2,059,714

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

STATEMENT OF CASH FLOWS - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Soil Erosion and Sediment	
Control Act Fees	759,776
Stormwater Permitting	33,915
Exemption Income	28,300
Bonding Administrative Fee	9,750
Other Income	422
Operating Budget	7,780
Payments to Employees	(506,063)
Payments to Suppliers	(432,686)
NET CASH FROM OPERATING ACTIVITIES	<u>(98,805)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	<u>(1,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>20,153</u>
NET INCREASE (DECREASE IN CASH	(80,441)
CASH AND CASH EQUIVALENTS - JULY 1	<u>1,498,508</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>1,418,067</u>
Change in Net Position:	(61,825)
Adjustments to Reconcile Change in Net Position to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	25,530
Changes in Operating Assets and Liabilities:	
(Increase)/Decrease in Receivables	(762)
Increase/(Decrease) in Accounts Payable	2,836
Increase/(Decrease) in Performance Bond Payables	(61,400)
Increase/(Decrease) in RFA Payable to NJ	(4,530)
Increase/(Decrease) in NJDA Chapter 251 Fees Payabl	<u>1,345</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(98,805)</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Organization Background Information

The Hudson-Essex-Passaic Soil Conservation District (the "Organization") provides for the conservation of the soil and soil resources of Hudson County, Essex County and Passaic County, New Jersey. The Hudson-Essex-Passaic Soil Conservation District is 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.D.A. 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 1975, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts to soil resources, and enhance soil quality.

Note 2. Summary of Significant Accounting Principles

Each Soil Conservation District shall maintain an adequate accounting system to facilitate budgetary control over District operations and to provide a basis for the preparation of accurate financial reports. An adequate accounting system is a tool by which a District can plan, control and monitor its operating performance and maintain accountability for its related assets and liabilities.

Accounting System

The accounting system of the Districts shall conform to generally accepted accounting principles, and practices prescribed by the State of New Jersey, Department of Agriculture, State Soil Conservation Committee.

Basis of Accounting

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

The records of each Soil Conservation District shall be kept on the modified accrual basis of accounting. Under the basis of accounting, revenues, other than Chapter 251, are recognized when earned and expenditures, other than Chapter 251 related costs, are recorded when incurred. Chapter 251 revenue is recorded when received; Chapter 251 costs are accrued when incurred.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2. Summary of Significant Accounting Policies (continued)

Fund Accounting System

In accordance with the accounting policies by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey, the accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting on the basis of funds is for internal record keeping purposes only.

The funds are organized by various activities or program expenditures of the District. The District currently uses one account. The largest and most active fund of the District is the Soil Erosion and Sediment Control Act (Ch. 251) Expenditures Fund. Interest income derived from fee reserve balances (Ch. 251) may be utilized by the District for implementing district education programs for applicants, contractors, municipal officials and the public.

Income Taxes

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

Use of Estimates

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

Statement of Cash Flows and Cash Equivalents

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

Concentration of Credit Risk

The Organization did have cash deposits in excess of federally insured limits.

Accounts Receivable

Accounts receivable are reported on the statement of financial position without an allowance for doubtful accounts.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2. Summary of Significant Accounting Policies (continued)

Depreciation

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

	<u>Year(s)</u>
Office Furniture and Equipment	5 - 7
Building and Improvements	10 - 40

Contingencies

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

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

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

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3. Fixed Assets

Fixed assets are carried at the lower of cost or fair market value. Fixed assets consist of the following as of June 30, 2021.

Building, Improvements and Land	\$781,534
Office Furniture and Equipment	<u>99,083</u>
	880,617
 Less: Accumulated Depreciation	 <u>(216,241)</u>
	 <u>\$664,376</u>

Depreciation charged to income for the year ended June 30, 2021 was \$25,530.

Note 4. Investments

The current assets section of the Statement of Financial Position reflects investments in the State of New Jersey Cash Management Fund and various certificates of deposit. All of these investments are stated at cost.

Note 5. Pension

Description of Plans - All required employees of the District are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. The report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or reports can be accessed on the internet at: http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5. Pension (continued)

Benefits Provided

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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5. Pension (continued)

Defined Contribution Retirement Program (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

There were no employees eligible to be enrolled in the DCRP as of June 30, 2021.

Contributions Requirements Fund Based Statements

The District's contribution to PERS, equal to the required contributions for each year as reported in the fund based statements, were as follows:

<u>Year ended June 30,</u>	<u>PERS</u>
2021	\$65,732
2020	52,343
2019	52,653

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At June 30, 2021, the District had a liability of \$979,860 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2020, the District's proportion was 0.0060086865 percent, which was an increase of 0.0006275096 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$65,732. At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5. Pension (continued)

Public Employees Retirement System (PERS), (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$17,842	\$3,465
Changes of assumptions	31,788	410,277
Net difference between projected and actual earnings on pension plan investments	33,492	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	<u>211,929</u>	<u>11,137</u>
Total	<u>\$295,051</u>	<u>\$424,879</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2020) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2021	(\$122,954)
2022	(112,097)
2023	(64,061)
2024	(25,905)
2025	(5,603)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts respectively.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5. Pension (continued)

Public Employees Retirement System (PERS), (continued)

Additional Information

Local Group Collective balances at June 30, 2020 and June 30, 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective deferred outflows of resources	\$2,347,583,337	\$3,149,522,616
Collective deferred inflows of resources	7,849,949,467	7,645,087,574
Collective net pension liability	16,435,616,426	18,018,482,972
District's Proportion	0.0060086865%	0.0053811769%

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality with a 91.4% adjustment for males and 99.7% adjustment for females, and with

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5. Pension (continued)

Public Employees Retirement System (PERS), (continued)

Mortality Rates (continued)

future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5. Pension (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1 percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District's proportionate share of the pension liability	\$1,243,179	\$979,860	\$770,669

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6. Stormwater Permitting Program

The NJDEP maintains an application process, including the collection of fees. The NJDEP retains \$100 per 5G3 permit. The remaining fees are apportioned to the SCDs and disbursements via electronic transfers are made on a quarterly basis. The SSCC then invoices the SCDs quarterly for its share of Stormwater Permit fees. The SCDs retain 70% of remaining fees and the SSCC receives 30%.

Note 7. Reserve for Future Soil Erosion and Sediment Control Act (Ch. 251) Expenditures

The Reserve for Future Soil Erosion and Sediment Control Act Expenditures is established to identify the funds available for the costs of future expenditures on projects currently received and in progress, for which fees under the act have been previously collected. All fees received shall remain with reserve balance total. All fees collected from applicants are restricted to the Chapter 251 program and used only for implementing that program. The reserve balance includes the unexpended, initial review/certification/inspection fees and supplemental fees received. At the option of the District Board and pursuant to formal action by the District Board, **interest income** from reserve balances may be utilized for the Ch. 251 program or for the District education program. Use of interest income is authorized by N.J.A.C. 2:90-1.12 and pursuant to policy approval by the State Soil Conservation Committee on September 13, 2007.

Reserve balance on June 30, 2021	<u>\$774,813</u>
----------------------------------	------------------

This reserve balance combined with unrestricted funds is deemed sufficient to complete open projects.

Note 8. Other Post Employment Benefits (OPEB)

In addition to the pension described in Note 5, the District provides post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan.

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

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Post Employment Benefits (OPEB) (continued)

General Information about the OPEB Plan (continued)

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 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.

The following Other Post Employment Benefit information is as of June 30, 2019 which is the latest information available. This information is 24 months prior to June 30, 2021. GASB Statement No. 75 requires that the information be no more than 12 months prior to the employer's fiscal year end. The Independent Auditor's Report has been modified to reflect this departure.

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Post Employment Benefits(OPEB) (continued)

Total OPEB Liability

At June 30, 2020, the District had a liability of \$847,849 for its proportionate share of the non-special funding net OPEB liability. The District has reserved \$450,765 towards this future liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers a in the plan. At June 30, 2019 the District's proportion was 0.006259 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0-. At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$247,944
Changes of assumptions	-	300,459
Net difference between projected and actual earnings on OPEB plan investments	698	-
Changes in proportion	<u>105,734</u>	<u>225,175</u>
Total	<u>\$106,432</u>	<u>\$773,578</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(\$89,203)
2021	(89,203)
2022	(89,258)
2023	(89,347)
2024	(89,427)
Thereafter	(101,265)

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Post Employment Benefits (OPEB) (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for 2019, 2018 and 2017 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. 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*:	
Public Employees's Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PERS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

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

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Post Employment Benefits (OPEB) (continued)

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the Division. 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 District's proportionate share of the net OPEB liability as of June 30, 2019 as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease <u>2.50%</u>	At Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
District's proportionate share of Net OPEB liability	\$980,329	\$847,849	\$740,191

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Post Employment Benefits (OPEB) (continued)

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

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2019 as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1- percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of Net OPEB liability	\$715,480	\$847,849	\$1,016,707

Note 9. Accrued Sick Benefits

Employees of the District are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. The Organization's policy is to recognize the costs of accumulated absences when actually paid to employees. The District's policy regarding vacation time and personal time is that all vacation and personal time must be used during the current calendar year. There is no carryover of unused vacation and personal time. Accumulated sick time may be carried over to future years, however upon termination of employment with the district, unused sick time is forfeited.

Effective 7/1/2016, compensatory time (in lieu of overtime) may be carried over to the next calendar year and paid out upon termination. The potential liability associated with accumulated compensatory time of \$9,568 is not reflected on the District's balance sheet.

Note 10. Surety Bond Coverage

The following District personnel have surety bond coverage:

<u>Personnel</u>	<u>Title</u>	<u>Amount</u>
Glen Van Olden	District Manager	\$75,000
Fran Aguirre	District Secretary	50,000

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11. Contingent Liabilities

The Hudson-Essex-Passaic Soil Conservation's Counsel advises us he is not aware of any litigation claims or assessments pending or threatened against the Hudson-Essex-Passaic Soil Conservation that will have a material effect on the financial statements.

Note 12. Subsequent Event

The District has evaluated subsequent events through December 16, 2021, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2021

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matthew Ward	District Chairman	6/30/2022
Mario Tridente	District Vice-Chairman	6/30/2023
Elizaeth Hite Vollavanh	Supervisor	6/30/2022
Gray Russell	Treasurer to	6/30/2023
Jerry Flach	District Secretary	6/30/2021

ADMINISTRATIVE OFFICIALS

Glen Van Olden	District Manager
Fran Aguirre	District Secretary

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES/TRANSFERS
(CHAPTER 251 & EQUIPMENT FUND)
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Actual	Variance
Expenditures:			
Salaries and Wages	\$ 493,447	\$ 500,514	\$ (7,068)
Employee Benefits	142,621	143,489	(867)
Cash-In-Lieu - Medical Benefits	4,300	4,300	-
Payroll Taxes	37,378	40,675	(3,297)
Pension Expense	65,732	65,732	-
Legal & Professional Fees	21,540	23,971	(2,431)
Repairs & Maintenance	13,048	13,772	(724)
Meetings & Conferences	161	316	(155)
Travel	20,863	20,491	372
Utilities	5,684	5,549	135
Telephone Expenses	6,501	7,773	(1,272)
Insurance	9,512	9,901	(389)
Dues, Licenses & Fees	2,190	2,241	(51)
Office, Postage & Miscellaneous	15,720	26,590	(10,870)
Charitable Contributions	50	50	-
Refund of PY Revenues	-	3,619	(3,619)
Other Expenses	7,799	8,018	(219)
Depreciation Expense	27,000	25,530	1,470
	<u>873,546</u>	<u>902,530</u>	<u>(28,984)</u>

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

PART II

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2021



WIELKOTZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
Hudson-Essex-Passaic Soil Conservation District
Bloomfield, NJ 07003

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the New Jersey Department of Agriculture; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Hudson-Essex-Passaic Soil Conservation District in the County of Essex as of and for the year ended June 30, 2021 and the related notes to the financial statements, and have issued our report dated December 16, 2021 which was adverse due to being prepared on a regulatory basis.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hudson-Essex-Passaic 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 Hudson-Essex-Passaic Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson-Essex-Passaic 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, as 2020-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hudson-Essex-Passaic Soil Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

However, we noted certain matters that we have reported to the management of the Hudson-Essex-Passaic Soil Conservation District in the accompanying comments and recommendations section of this report.

Hudson-Essex-Passaic Soil Conservation District's Responses to Findings

The Hudson-Essex-Passaic Soil Conservation District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hudson-Essex-Passaic Soil Conservation District's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hudson-Essex-Passaic Soil Conservation District's internal control or on compliance. This report is



The Board of Supervisors
Hudson-Essex-Passaic Soil Conservation District
Page 3

an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson-Essex-Passaic Soil Conservation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas M. Ferry

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Wielkotz & Company, LLC

Wielkotz & Company, LLC
Certified Public Accountants
Rockaway, New Jersey

December 16, 2021



HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021**

Summary of Auditor's Results:

An unmodified opinion was issued on the Hudson-Essex-Passaic Soil Conservation District's financial statements prepared in accordance with the basis of accounting prescribed by the New Jersey Department of Agriculture.

The audit did disclose significant deficiencies in the internal controls of the District.

The District was not subject to the single audit provisions of Uniform Guidance and State Circular 15-08 OMB for 2021 as grant expenditures were less than the single audit thresholds identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

Finding 2020-01:

Segregation of Duties

The District does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The District Secretary controls disbursements of funds, has control of checks, has control of the signature stamp and reconciles bank statements. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The District was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

The Hudson-Essex-Passaic Soil Conservation District's prior year finding regarding segregation of duties has not been corrected and is included in the audit for year ended June 30, 2021.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
YEAR ENDED JUNE 30, 2021**

GENERAL COMMENTS

New Jersey Soil Conservation Districts Accounting Manual adopted September 12, 2007

The accounting manual applicable to NJ Soil Conservation Districts changed some of the reporting and accounting procedures to be used by the NJ Soil Conservation Districts. In addition, this manual outlines certain internal controls and other procedures to be implemented by the Districts. Items 2020-01 and 2020-02 listed below are procedures or requirements contained in the accounting manual with which the Hudson-Essex-Passaic Soil Conservation District is not complying.

Finding 2020-01

Segregation of Duties - The Hudson-Essex-Passaic Soil Conservation District does not maintain an adequate segregation of duties within the Treasury Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The District Secretary controls disbursements of funds, has control of checks and reconciles bank statements. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The District was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived.

Management Response

The District will investigate oversight or other safeguards to achieve appropriate segregation of duties.

Finding 2020-02

The accounting manual indicates that detailed records must be maintained for compensated absences and compared to balances maintained

Management Response

In March of 2020, the District rolled out a new policy handbook as directed by labor attorney recommendation, whereby no new additional payable compensation time would be accrued or payable.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
YEAR ENDED JUNE 30, 2021**

GENERAL COMMENTS, (continued)

Finding 2020-03

In transitioning from semi-monthly to bi-weekly pay period, adjustments to base salaries and healthcare withholdings were calculated incorrectly.

Management Response

In March of 2020, the District rolled out a new policy handbook as directed by labor attorney recommendation, whereby payroll periods changed from semi-monthly to bi-weekly. Any miscalculations were corrected at the beginning of the new fiscal year and remain correct going forward.

Finding 2020-04

Multiple budget lines, including salaries and wages, and the overall budget were overexpended in 2019-2021.

Management Response

For the final four months of FY 2021, the District was operating under COVID-19 Emergency Protocols. Total approved budgets were exceeded by less than 1% given the circumstances.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT
YEAR ENDED JUNE 30, 2021**

RECOMMENDATIONS:

- 1) That proper Segregation of Duties be maintained within the Treasury Department.
- 2) That detailed records be maintained for compensated absences (including comp time) and that an accrued liability for compensated absences be recorded in the general ledger.
- 3) That payroll adjustments be calculated per approved salaries and health benefit contributions.
- 4) That the District remain within budget constraints by the governing body and appropriate budget transfers be approved prior to overexpenditures.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year's recommendations and corrective action was taken on all, except for the following:

- 1) That proper Segregation of Duties be maintained within the Treasury Department.
- 2) That detailed records be maintained for compensated absences (including comp time) and that an accrued liability for compensated absences be recorded in the general ledger.

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing the recommendations, please do not hesitate to call us.

Very truly yours,

Thomas M. Ferry

Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Wielkatz & Company, LLC

Wielkatz & Company, LLC
Certified Public Accountants