

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

# HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

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JUNE 30, 2020

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

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**PART I**

**REPORT OF AUDIT ON FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED JUNE 30, 2020**



# WIELKOTZ & COMPANY <sup>LLC</sup>

CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2020, 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, 2020, or the results of its activities and changes in net position for the year then ended.

### ***Opinion on Regulatory Basis Accounting Principles***

In our opinion, 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, 2020, and the changes in its net position and its cash flows for the year then ended in conformity with the financial reporting provisions of the New Jersey Department of Agriculture Financial Accounting Manual.

### ***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 January 20, 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

*Wielkatz & Company, LLC*

Wielkatz & Company, LLC  
Certified Public Accountants

Newton, New Jersey

January 20, 2021



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

JUNE 30, 2020

	Unrestricted Funds	Reserves			Total
		Chapter 251 Reserves	Various Reserves	Equipment Fund	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	146,780	104,389			251,169
State of New Jersey Cash Management Fund	-	443,703			443,703
Certificate of Deposits	-	330,550	473,085		803,635
Accrued Interest	-	8,259			8,259
<b>Total Current Assets</b>	<b>146,780</b>	<b>886,902</b>	<b>473,085</b>		<b>1,506,767</b>
Property and Equipment:					
Buildings and Land				781,534	781,534
Office Furniture and Equipment				97,294	97,294
<b>Total Property and Equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>878,828</b>	<b>878,828</b>
Less: Accumulated Depreciation				(190,710)	(190,710)
<b>Total Property and Equipment Net of Depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>688,118</b>	<b>688,118</b>
<b>TOTAL ASSETS</b>	<b>146,780</b>	<b>886,902</b>	<b>473,085</b>	<b>688,118</b>	<b>2,194,885</b>
<b>LIABILITIES, NET POSITION AND RESERVES</b>					
Current Liabilities:					
Accounts Payable & Accrued Expenses	-	4,316	-	-	4,316
Performance Deposits Payable	-	74,200	-	-	74,200
RFA Payable To State of New Jersey	-	4,170	-	-	4,170
NJDA Chapter 251 Fees Payable	-	4,100	-	-	4,100
<b>Total Current Liabilities</b>	<b>-</b>	<b>86,786</b>	<b>-</b>	<b>-</b>	<b>86,786</b>
Net Position and Reserves:					
Unrestricted Net Position	146,780	-	-	-	146,780
Reserve for Future Legal Cost	-	-	22,320	-	22,320
Reserve for Post-Retirement Medical	-	-	450,765	-	450,765
Reserve for Chapter 251	-	800,116	-	-	800,116
Reserve for Equipment	-	-	-	688,118	688,118
<b>Total Net Position and Reserves</b>	<b>146,780</b>	<b>800,116</b>	<b>473,085</b>	<b>688,118</b>	<b>2,108,099</b>
<b>Total Liabilities, Reserves and Net Position</b>	<b>146,780</b>	<b>886,902</b>	<b>473,085</b>	<b>688,118</b>	<b>2,194,885</b>

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, 2020

	Unrestricted Funds	Reserves		Total	
		Chapter 251	Various Reserves		Equipment Fund
<b>Support and Revenue:</b>					
Soil Erosion and Sediment Control Act Fees	-	735,756	-	-	735,756
Stormwater Permitting	-	42,565	-	-	42,565
Exemption Income	-	20,600	-	-	20,600
Bonding Administrative Fee	-	6,450	-	-	6,450
Operating Budget	-	-	580	-	580
<b>Total Support and Revenue</b>	<b>-</b>	<b>805,371</b>	<b>580</b>	<b>-</b>	<b>805,951</b>
<b>Expenditures:</b>					
Salaries and Wages	-	472,181	-	-	472,181
Employee Benefits	-	105,427	-	-	105,427
Cash-In-Lieu - Medical Benefits	-	6,757	-	-	6,757
Payroll Taxes	-	37,208	-	-	37,208
Pension Expense	-	52,532	-	-	52,532
Legal & Professional Fees	-	18,522	7,680	-	26,202
Repairs & Maintenance	-	10,520	-	-	10,520
Meetings & Conferences	-	6,937	-	-	6,937
Travel	-	19,091	-	-	19,091
Utilities	-	5,390	-	-	5,390
Telephone Expenses	-	6,834	-	-	6,834
Insurance	-	8,289	-	-	8,289
Dues, Licenses & Fees	-	2,218	-	-	2,218
Office, Postage & Miscellaneous	-	21,395	-	-	21,395
Charitable Contributions	-	650	-	-	650
Refund of Prior Year Revenue	-	1,043	-	-	1,043
Other Expenses	-	868	-	-	868
Depreciation Expense	-	-	-	26,520	26,520
<b>Total Expenditures</b>	<b>-</b>	<b>775,863</b>	<b>7,680</b>	<b>26,520</b>	<b>810,063</b>
<b>Excess (Deficiency) of Support and Revenue Over Expenditures</b>	<b>-</b>	<b>29,508</b>	<b>(7,100)</b>	<b>(26,520)</b>	<b>(4,111)</b>
<b>Non- Operating Revenue</b>					
Interest on Investments	-	31,221	-	-	31,221
<b>Net Income (Loss)</b>	<b>-</b>	<b>60,729</b>	<b>(7,100)</b>	<b>(26,520)</b>	<b>27,109</b>
<b>Net Position, Beginning of Year</b>	<b>146,780</b>	<b>690,318</b>	<b>533,374</b>	<b>710,518</b>	<b>2,080,990</b>
<b>Transfer of Net Position</b>					
Purchase of Property and Equipment	-	49,070	(53,189)	4,120	-
<b>Net Position, End of Year</b>	<b>146,780</b>	<b>800,116</b>	<b>473,085</b>	<b>688,118</b>	<b>2,108,099</b>

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



HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICTSTATEMENT OF CASH FLOWS - REGULATORY BASISFOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Soil Erosion and Sediment	
Control Act Fees	735,756
Stormwater Permitting	42,565
Exemption Income	20,600
Bonding Administrative Fee	6,450
Payments to Employees	(472,181)
Payments to Suppliers	(294,251)
NET CASH FROM OPERATING ACTIVITIES	<u>39,519</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	<u>(4,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>15,479</u>
NET INCREASE (DECREASE IN CASH	50,878
CASH AND CASH EQUIVALENTS - JULY 1	<u>1,447,629</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>1,498,507</u></u>
Change in Net Position:	(4,111)
Adjustments to Reconcile Change in Net Position to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	26,520
Changes in Operating Assets and Liabilities:	
Increase/(Decrease) in Accounts Payable	(759)
Increase/(Decrease) in Performance Bond Payables	17,400
Increase/(Decrease) in RFA Payable to NJ	745
Increase/(Decrease) in NJDA Chapter 251 Fees Payable	(275)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>39,519</u></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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020.

Building, Improvements and Land	\$781,534
Office Furniture and Equipment	<u>97,294</u>
	878,828
 Less: Accumulated Depreciation	 <u>(190,710)</u>
	 <u>\$688,118</u>

Depreciation charged to income for the year ended June 30, 2020 was \$26,520.

**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](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, 2020**

**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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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, 2020**

**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, 2020.

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>
2020	\$52,343
2019	52,653
2018	48,799

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, 2020, the District had a liability of \$969,606 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the District's proportion was 0.0053811769 percent, which was an increase of 0.0001109216 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$52,343. At June 30, 2020, 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, 2020**

**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	\$17,403	\$4,283
Changes of assumptions	96,819	336,547
Net difference between projected and actual earnings on pension plan investments	-	15,306
Changes in proportion and differences between the District's contributions and proportionate share of contributions	<u>173,638</u>	<u>30,674</u>
Total	<u>\$287,860</u>	<u>\$386,810</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) 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:	
2020	(\$27,998)
2021	(90,824)
2022	(81,101)
2023	(38,081)
2024	(3,910)

**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 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts respectively.



**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**Note 5. Pension (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Additional Information**

Local Group Collective balances at June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
District's Proportion	0.0053811769%	0.0052702553%

**Actuarial Assumptions**

The collective total pension 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. 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, 2018 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, 2020**

**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-2019.

**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, 2019) 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, 2019 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	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U. S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U. S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**Note 5. Pension (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining 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, 2019, 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, 2019		
	1% Decrease <u>5.28%</u>	At Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
District's proportionate share of the pension liability	\$1,233,291	\$969,606	\$759,844

**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](http://www.state.nj.us/treasury/pensions).

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020	<u>\$800,116</u>
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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, 2020**

**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.

**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 in the plan. At June 30, 2019 the District's proportion was 0.006259 percent.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Total OPEB Liability** (continued)

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)

**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.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**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.

**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.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

**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		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
District's proportionate share of Net OPEB liability	\$715,480	\$847,849	\$1,016,707



**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 \$9,039.00 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

**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 January 20, 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, 2020**

**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	6/30/2020
Elizaeth Hite Vollavanh	Supervisor	6/30/2022
Gray Russell	Treasurer	6/30/2020
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, 2020

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Salaries and Wages	\$ 449,400	\$ 472,181	\$ (22,781)
Employee Benefits	113,280	105,427	7,853
Cash-In-Lieu - Medical Benefits	12,459	6,757	5,702
Payroll Taxes	59,232	37,208	22,024
Pension Expense	55,000	52,532	2,468
Legal & Professional Fees	12,500	26,202	(13,702)
Repairs & Maintenance	9,425	10,520	(1,095)
Meetings & Conferences	8,130	6,937	1,193
Travel	19,460	19,091	369
Utilities	5,771	5,390	381
Telephone Expenses	6,838	6,834	4
Insurance	8,085	8,289	(204)
Dues, Licenses & Fees	1,085	2,218	(1,133)
Office, Postage & Miscellaneous	15,535	21,395	(5,860)
Charitable Contributions	630	650	(20)
Refund of PY Revenues	-	1,043	(1,043)
Other Expenses	90	868	(778)
Reserve for Future Legal Costs	580	-	580
Depreciation Expense	-	26,520	(26,520)
	<u>777,500</u>	<u>810,063</u>	<u>(32,563)</u>

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

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**PART II**

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

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED JUNE 30, 2020**



# WIELKOTZ & COMPANY <sup>PC</sup>

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA  
MATTHEW B. WIELKOTZ, CPA, PSA  
PAUL J. CUVA, CPA, RMA, PSA  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED 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, 2020 and the related notes to the financial statements, and have issued our report dated January 20, 2021.

### **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

*Wielkatz & Company, LLC*

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

January 20, 2021



## HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT

### SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

#### 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 2020 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, 2020**

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, 2020.

**HUDSON-ESSEX-PASSAIC SOIL CONSERVATION DISTRICT  
YEAR ENDED JUNE 30, 2020**

**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, 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.

**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, 2020**

**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 2019-2020.

**Management Response**

For the final four months of FY 2020, 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, 2020**

**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

*Wielkocz & Company, LLC*

Wielkocz & Company, LLC  
Certified Public Accountants