

SOMERSET UNION SOIL CONSERVATION DISTRICT

Bridgewater, New Jersey

REPORT OF AUDIT

FOR THE YEAR
ENDED JUNE 30, 2023

SOMERSET UNION SOIL CONSERVATION DISTRICT

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SOMERSET UNION SOIL CONSERVATION DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2023

DISTRICT GOVERNING BODY

<u>Name</u>	<u>Title</u>	<u>Term Expires (d)</u>
Mark W. Kirby	District Chairman	June 30, 2025
Robert J. Amberg	Supervisor	June 30, 2026
Edward Dec	Supervisor	June 30, 2024
James Laine	District Vice-Chairman	June 30, 2025
Matthew D. Loper	Supervisor	June 30, 2024

Administrative Officials

Matthew D'Alessandro	District Manager
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Somerset Union Soil Conservation District
308 Milltown Road
Bridgewater, NJ 08807

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Somerset Union Soil Conservation District, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Somerset Union Soil Conservation District as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Somerset Union Soil Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Somerset Union Soil Conservation District ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Somerset Union Soil Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Somerset Union Soil Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of Budget vs. Actual Revenue and Expenditures is presented for the purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of Budget vs. Actual Revenue and Expenditures is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of Somerset Union 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Somerset Union Soil Conservation District's 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 Somerset Union Soil Conservation District's internal control over financial reporting and compliance.


VERNOIA, ENTERLINE & BREWER, CPA, LLC
Somerville, New Jersey
March 25, 2024



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

To the Board of Supervisors
Somerset Union Soil Conservation District
308 Milltown Road
Bridgewater, NJ 08807

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Somerset Union Soil Conservation District, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerset Union Soil Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The NJ Soil Conservation Districts Accounting Manual includes certain internal control and other procedures to be followed by NJ Soil Conservation Districts. The Somerset Union Soil Conservation District Schedule of Findings and Noncompliance with NJ Soil Conservation Districts Accounting Manual reflects certain internal control related procedures that are not being followed by the District.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vernia Enterline & Brewer, CPA, LLC
VERNOIA, ENTERLINE & BREWER, CPA, LLC
Somerville, New Jersey
March 25, 2024

SOMERSET UNION SOIL CONSERVATION DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,171,682
Certificates of Deposit	2,224,999
Accounts receivable	56,432
Prepaid Insurance	8,371
Total current assets	3,461,484

FIXED ASSETS

Furniture & Equipment	62,147
Equipment & Vehicles	92,994
Less: Accumulated Depreciation	(136,801)
Property and Equipment, net	18,340
Net Right-of-use lease assets	63,810
Fixed Assets	82,150

TOTAL ASSETS	\$ 3,543,634
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable & accrued expenses	\$ 142,770
Current portion of lease liability	24,938
Performance deposits payable	177,984
Total current liabilities	345,692

LONG TERM LIABILITIES

Long term portion of lease liability	39,276
Total Liabilities	384,968

NET ASSETS

Without Restriction	99,265
Restricted	3,059,401
Total net assets	3,158,666

TOTAL LIABILITIES AND NET ASSETS	\$ 3,543,634
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See independent auditor's report and accompanying notes to financial statements

SOMERSET UNION SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Restrictions	Restricted	Total
REVENUE AND OTHER SUPPORT			
Chapter 251 Fees	\$ -	590,630	\$ 590,630
Governmental Grants		116,212	116,212
Stormwater Permitting		46,500	46,500
Investment Income	52,254		52,254
Standards, Soil Surveys & Other Income	343		343
TOTAL REVENUE & SUPPORT	52,597	753,342	805,939
EXPENSES			
Program services	437	539,698	540,135
Management and general		51,201	51,201
TOTAL EXPENSES	437	590,899	591,336
CHANGES IN NET ASSETS	52,160	162,443	214,603
NET ASSETS - BEGINNING OF PERIOD	47,105	2,896,958	2,944,063
NET ASSETS - END OF PERIOD	\$ 99,265	\$ 3,059,401	\$ 3,158,666

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Unrestricted Funds	Restricted Funds		Total
	Program Services	Program Services	Management & General	
Salaries and benefits	\$ -	\$ 466,127	\$ 35,085	\$ 501,212
Automobile Expenses		10,566	556	11,122
Educational Expenses	437			437
Legal & Professional Fees		-	7,000	7,000
Meetings & Conferences		-	2,568	2,568
Utilities		2,591	288	2,879
Insurance		14,977	788	15,765
Dues, Licenses & Fees		-	1,351	1,351
Office, Postage & Miscellaneous		8,181	2,727	10,908
Rent & Leasing		25,256	648	25,904
Other Expenses		1,705	190	1,895
Depreciation		10,295		10,295
	<u>437</u>	<u>539,698</u>	<u>51,201</u>	<u>591,336</u>
Totals	<u>\$ 437</u>	<u>\$ 539,698</u>	<u>\$ 51,201</u>	<u>\$ 591,336</u>

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 214,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,295
Non cash portion of lease expense	404
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	(1,700)
Increase (decrease) in accounts payable	39,168
Increase (decrease) in performance deposits payable	3,901
Increase (decrease) in prepaid expenses	<u>(2,174)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	264,497
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in certificates of deposit	(2,117,265)
Purchases of fixed assets	<u>(4,101)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,121,366)</u>
NET DECREASE IN CASH	(1,856,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,028,551</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,171,682</u></u>

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BACKGROUND INFORMATION

Somerset Union Soil Conservation District (the “Organization”) provides for the conservation of the soil and soil resources of Somerset County and Union County, New Jersey. The Somerset-Union Soil Conservation District is one of fourteen Districts in the State of New Jersey under the auspices of the New Jersey Department of Agriculture. Each District is governed by a Board of Supervisors, which sets policies and performance guidelines. The Districts work closely with the U.S. Soil Conservation Service to promote the wise use of soil and water resources. In 1976 the districts in New Jersey were mandated to administer Chapter 251, The Soil Erosion and Sediment Control Act of 1975, the objective of which was to prevent erosion and sedimentation from development sites, mitigate impacts of soil resources, and enhance soil quality.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Somerset Union Soil Conservation District have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Organization classifies resources for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. These categories are Net Assets without donor restrictions and restricted net assets. The Organization records unconditional promises to give as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. For the year ended June 30, 2023, the Organization had accounting transactions in both of the net asset categories as follows:

- Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions.
- Restricted Net Assets – Net assets subject to donor-imposed restrictions.

Basis of Accounting

All district funds are accounted for using the accrual basis of accounting. Support and revenue are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related liability is incurred. Chapter 251 revenue is recognized when received and Chapter 251 expenses are recognized when incurred. The Chapter 251 revenue recognized in a current accounting period that is available for use in a future period is recorded as restricted net assets.

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Accounting System

In accordance with the accounting policies prescribed by the State Soil Conservation Committee, Department of Agriculture, State of New Jersey, the accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting on the basis of funds is for internal recordkeeping purposes only. The financial statements are presented as prescribed in the "Basis of Presentation" noted previously in Note 2.

The funds are organized by various activities or program expenditures of the District. The District currently uses four fund accounts. The largest and most active fund of the District is the Soil Erosion and Sediment Control Act (Ch. 251) Expenditures Fund. The other three funds are the Stormwater Permitting Program Fund, An Education Program Fund and a Technical Assistance Fund.

The Education Program Fund is the only of the four fund groups that would normally contain net assets that would be classified as net assets without restriction in the statement of financial position. 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.

Revenue Recognition

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts. As of June 30, 2023, there is no allowance for doubtful accounts related to accounts receivable.

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

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

Statement of Cash Flows and Cash Equivalents

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

Concentration of Credit Risk

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

Income Taxes

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

Contingencies

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

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

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

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

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

Investments and Financial Instruments

Investments and financial instruments are stated at fair value. For further information regarding the fair value of the Organization's financial instruments see Note 11.

Compensated Absences

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

Subsequent Events

Management has evaluated all subsequent events through March 25, 2024. The date the financial statements were available to be issued.

Cost Allocation

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

Liquidity and Availability of Financial Assets

The statement of financial position includes financial assets available for general use by the Organization as current assets. As of June 30, 2023, the Organization does not have assets that are not available for general use because of contractual or donor-imposed restrictions.

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Lease Standard

Effective July 1, 2022, the District adopted Accountain Standards Update (ASU) 2016-02 Leases (ASC Topic 842) and subsequent amendments. Under this standard Somerset Union Soil Conservation District recognized right-of-use assets and lease obligations on its balance sheet for all leases with a lease term of more than 12 months. The District elected to use a transition method under which all existing operating leases are measured and recorded as operating leases as of July 1, 2022.

On the date of adoption, the District had only leases with a remaining term of less than 12 months. On January 1, 2023 the district obtained a three year lease on it office space. On that date the District recorded on its statement of financial position a right-of-use asset and lease obligation for operating lease in the amount of \$76,572. Thi discount rate used to measure the lease assets and liabilities was the average risk free rate as of the date the lease was acquired, which was 3.9%.

NOTE 3 - NON-CASH SUPPORT

Non-Cash Support consists of payroll and fringe benefits provided by Somerset County, NJ. The details of this support is as follows:

Paid by Somerset County:	
Salaries and Wages	\$ 65,317
Fringe Benefits	<u>13,063</u>
Total Non-Cash Support	<u>\$ 78,380</u>

NOTE 4 - FURNITURE AND EQUIPMENT – EXCLUDING LEASES

Fixed assets are carried at the lower of cost or fair market value. Furniture and equipment consist of the following as of June 30, 2023:

Transportation equipment	\$ 92,994
Office furniture and equipment	<u>62,147</u>
	155,141
Less: accumulated depreciation	<u>(136,801)</u>
	<u>\$ 18,340</u>

Depreciation charged to expense for the year ended June 30, 2023 was \$10,295.

SOMERSET UNION SOIL CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - SALARY AND PENSION PLAN

A. Salary

Employees of the Somerset Union Soil Conservation District are paid through Somerset County's (New Jersey) payroll system. The District reimburses the County for salaries plus 20% for fringe benefits less the non-cash support (\$78,380) as explained in Note 3.

B. Pension Plan

District employees are covered under Somerset County's PERS (Pension Plan) - contributions by employees are based on a percentage of salary determined by age. Contribution by the County is based on employee population.

NOTE 6- SURETY BOND COVERAGE

The following district personnel have surety bond coverage:

<u>Personnel</u>	<u>Title</u>	<u>Amount of Coverage</u>
Matthew D'Alessandro	District Manager	\$250,000
Jennifer Saunders	Business Manager	\$250,000

NOTE 7 - STORMWATER PERMITTING PROGRAM

Effective October 1, 2009 the Department of Environmental Protection implemented an E-permit program. This procedure replaced the paper permit system previously implemented by the District. RFA applications are no longer accepted or processed by local Soil Conservation Districts as the Department of Environmental Protection now reimburses the Districts directly.

NOTE 8 - GRANTS RECEIVED

For the year ended June 30, 2023, Somerset Union Soil Conservation District received grants from the following sources:

Somerset County	\$ 78,380
Union County	<u>37,832</u>
	<u>\$116,212</u>

NOTE 9 – RESTRICTED NET ASSETS & RESERVE FOR FUTURE SOIL EROSION AND SEDIMENT CONTROL ACT (CH. 251) EXPENDITURES

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – LEASES

On January 1, 2023 the District recorded on its statement of financial position a right-of-use asset and lease obligation for an operating lease in the amount of \$76,572. The discount rate used to measure the lease assets and liabilities was the average risk free rate as of the date the lease was acquired, which was 3.9%.

Amounts recognized as right-of-use assets related to operating leases are included in property, plant and equipment in the statement of financial position, with related lease liabilities included in the current and long-term debt. The District has recognized the right-of-use assets and lease liabilities for the leasing of its office space. The office space is being leased for a monthly rent of \$2,250 for a three year term ending December 31, 2025. The total lease cost recognized as an expense for the year ended June 30, 2023 is \$25,904. As of June 30, 2023 the remaining lease term related to this lease is 30 months and the weighted average discount rate is 3.9%. The undiscounted maturities of the operating lease liabilities as of June 30, 2023 are as follows: \$27,000 for the years ended June 30, 2024 & 2025 and \$13,500 for the year ending June 30, 2026.

As of June 30, 2023, right of-use assets and lease liabilities related to the operating leases described above are as follows:

Right-of-use lease assets	\$ 76,572
Less: Accumulated reduction	<u>(12,762)</u>
Net Right-of-use lease assets	<u>\$ 63,810</u>
Current portion of lease liability	\$ 24,938
Long term portion of lease liability	<u>39,276</u>
Total lease liability	<u>\$ 64,214</u>

NOTE 11 - FAIR VALUE MEASUREMENTS

Current accounting guidance defines fair value as the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Guidance requires disclosure of the extent to which fair value is used to measure financial assets and liabilities, the inputs utilized in calculating valuation measurements, and the effect of the measurement of significant unobservable inputs on earnings, or changes in net assets, as of the measurement date. Guidance establishes a three-level valuation hierarchy based upon the transparency of inputs utilized in the measurement and valuation of financial assets or liabilities as of the measurement date. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets

SOMERSET UNION SOIL CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - FAIR VALUE MEASUREMENTS (Continued)

and observable inputs such as interest rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The Company uses the market approach to determine fair value for Level 2 and Level 3 fair value measurements.

As of June 30, 2023, the Organization has investments in certificates of deposit with terms that range from 12 to 13 months. These are valued using Level 2 inputs. The value of these assets is equivalent to the cost due to the short-term nature of the certificates. Any penalties for early withdrawal would not have a material effect on the financial statements.

SCHEDULE OF FINDINGS AND NONCOMPLIANCE

SOMERSET UNION SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND NONCOMPLIANCE WITH NJ SOIL CONSERVATION
DISTRICTS ACCOUNTING MANUAL
FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

Prior year findings and noncompliance:

The financial statements of Somerset Union Soil Conservation District for the year ended June 30, 2022, included a finding of noncompliance with the accounting manual related to segregation of duty requirements.

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

SOMERSET UNION SOIL CONSERVATION DISTRICT
Supplemental Schedule of Budget vs. Actual Revenue and Expenditures
All Funds Combined
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	Budget	Variance
Chapter 251 Fees	\$ 590,630	\$ 450,025	\$ 140,605
Governmental Appropriations	116,212	106,165	10,047
Stormwater Permitting	46,500	15,000	31,500
Other Income	<u>52,597</u>	<u>3,100</u>	<u>49,497</u>
Income	\$ 805,939	\$ 574,290	\$ 231,649
Salaries and benefits	501,212	439,926	61,286
Program Expenses	1,788	3,351	(1,563)
Automobile & Travel Expenses	11,122	5,150	5,972
Consultant & Contract	7,000	18,100	(11,100)
Meetings & Conferences	2,568	1,300	1,268
Insurance	15,765	12,500	3,265
Office, Postage & Miscellaneous	10,908	6,400	4,508
Rent & Occupancy	28,783	27,250	1,533
Repairs & Maintenance		1,000	(1,000)
Other expenses	1,895		1,895
Depreciation	10,295		10,295
Cost of Equipment Acquisition		<u>36,000</u>	<u>(36,000)</u>
Disbursements	<u>591,336</u>	<u>550,977</u>	<u>40,359</u>
Surplus (Deficit)	<u>\$ 214,603</u>	<u>\$ 23,313</u>	<u>\$ 191,290</u>

See independent auditor's report