

**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

Pinelands Commission

Fiscal Year 2016

**Stephen M. Eells
State Auditor**

LEGISLATIVE SERVICES COMMISSION

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New Jersey State Legislature

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The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Vincent Prieto
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Enclosed is our audit report of the Pinelands Commission for the fiscal year ended June 30, 2016. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
December 18, 2017

**PINELANDS COMMISSION
TABLE OF CONTENTS**

Independent Auditor’s Report.....	1
Financial Statements	
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Fiduciary Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – General and Special Revenue Fund Types, Budget and Actual – Budgetary Basis	6
Notes to the Financial Statements.....	7
Other Information	
Schedule of Expenditures of State Financial Assistance	29
Notes to the Schedule of Expenditures of State Financial Assistance.....	30
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32
Schedule of Findings and Responses	34
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey Department of the Treasury Circular 15-08-OMB	36
Schedule of Findings and Questioned Costs.....	39
Summary Schedule of Prior Audit Findings and Questioned Costs	42
Auditee Response.....	43

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Vincent Prieto
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Report on the Financial Statements

We have audited the accompanying modified accrual basis financial statements of the Pinelands Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

As discussed in Note 1, the Pinelands Commission prepares its financial statements on a modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis financial position of the Pinelands Commission as of June 30, 2016, and the respective changes in financial position, and budgetary comparisons for the General Fund and the special revenue funds for the year then ended in accordance with the modified accrual basis of accounting described in Note 1.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note 1, the Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, as of July 1, 2015. As a result of the modified accrual basis of accounting, described in the previous paragraph, the implementation of these Statements only required financial statement disclosures. Our opinion was not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

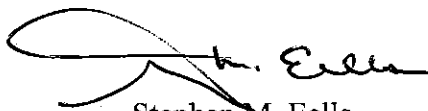
Other Information

Our audit was conducted for the purpose of forming an opinion on the Pinelands Commission financial statements. The schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by New Jersey Department of the Treasury Circular 15-08-OMB and is not a required part of the financial statements.

The schedule of expenditures of state financial assistance 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. Such 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 expenditures of state financial assistance 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 September 29, 2017 on our consideration of the Pinelands Commission management'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 Pinelands Commission's internal control over financial reporting and compliance.



Stephen M. Eells
State Auditor
September 29, 2017

**PINELANDS COMMISSION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (Memorandum Only)
	GENERAL FUND	SPECIAL REVENUE FUNDS	PRIVATE PURPOSE TRUST FUND	GENERAL FIXED ASSETS	GENERAL LONG- TERM DEBT	
ASSETS						
Cash & Cash Equivalents	\$ 2,774,719	\$ 10,136,586	\$ 33,197	\$ -	\$ -	\$ 12,944,502
Receivables:						
Federal	22,160	25,408	-	-	-	47,568
Other	25	-	-	-	-	25
General Fixed Assets:						
Furniture & Equipment	-	-	-	1,310,674	-	1,310,674
Vehicles	-	-	-	99,242	-	99,242
Amount to be Provided for						
Retirement of Long- Term Liabilities	-	-	-	-	333,657	333,657
Due from Other Funds	125,522	-	4,662	-	-	130,184
Total Assets	\$ 2,922,426	\$ 10,161,994	\$ 37,859	\$ 1,409,916	\$ 333,657	\$ 14,865,852
LIABILITIES & FUND EQUITY						
Liabilities:						
Accounts Payable	\$ 166,969	\$ 56	\$ -	\$ -	\$ -	\$ 167,025
Salaries Payable	28,257	-	-	-	-	28,257
Payroll Deductions Payable	61,553	-	-	-	-	61,553
Liabilities for Compensated						
Absences	32,330	-	-	-	333,657	365,987
Deferred Revenue	29,600	1,759,200	-	-	-	1,788,800
Due to Other Funds	-	130,184	-	-	-	130,184
Total Liabilities	318,709	1,889,440	-	-	333,657	2,541,806
Fund Equity:						
Restricted For:						
Unemployment Compensation	-	-	16,168	-	-	16,168
Katie Fund	-	-	21,691	-	-	21,691
Timber Rattlesnake Study	6,570	-	-	-	-	6,570
Rattlesnake Fencing	21,407	-	-	-	-	21,407
Committed To:						
Pinelands Conservation	-	6,174,080	-	-	-	6,174,080
Kirkwood- Cohansey Study	-	63,954	-	-	-	63,954
Encumbrances	66,239	69,500	-	-	-	135,739
Retirees' Health Benefits	799,155	-	-	-	-	799,155
Microfilming Project	42,825	-	-	-	-	42,825
Building Improvements	82,381	-	-	-	-	82,381
Vehicle Replacements	131	-	-	-	-	131
Computer Replacements	64,135	-	-	-	-	64,135
Other	5,001	-	-	-	-	5,001
Investment in General Fixed Assets	-	-	-	1,409,916	-	1,409,916
Assigned To:						
Subsequent Year's Expenditures	370,442	1,961,609	-	-	-	2,332,051
Other	1,835	3,411	-	-	-	5,246
Unassigned Fund Balance	1,143,596	-	-	-	-	1,143,596
Total Fund Equity	2,603,717	8,272,554	37,859	1,409,916	-	12,324,046
Total Liabilities & Fund Equity	\$ 2,922,426	\$ 10,161,994	\$ 37,859	\$ 1,409,916	\$ 333,657	\$ 14,865,852

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

PINELANDS COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	TOTAL (Memorandum Only)
	GENERAL FUND	SPECIAL REVENUE FUNDS	PRIVATE PURPOSE TRUST FUND	
REVENUES				
State of New Jersey Appropriations	\$ 2,499,000	\$ -	\$ -	\$ 2,499,000
Fringe Benefits Paid by the State	687,000	-	-	687,000
Federal Grants	178,128	105,950	-	284,078
Other Grants	9,207	-	-	9,207
Interest Income	5,923	27,294	71	33,288
Unemployment Deductions	-	-	4,133	4,133
Application Fees	646,125	-	-	646,125
Other	94,255	-	590	94,845
Total Revenues	4,119,638	133,244	4,794	4,257,676
EXPENDITURES				
Current:				
Personnel	3,812,919	396,813	-	4,209,732
Supplies	60,955	2,659	-	63,614
Services	290,427	41,664	-	332,091
Maintenance & Rent	19,092	-	-	19,092
Other	-	-	-	-
Capital Outlay	72,798	-	-	72,798
Land Acquisition	-	150,000	-	150,000
Total Expenditures	4,256,191	591,136	-	4,847,327
Excess (Deficiency) of Revenues Over Expenditures	(136,553)	(457,892)	4,794	(589,651)
Other Financing Sources (Uses):				
Operating Transfers In	81,305	-	-	81,305
Operating Transfers Out	-	(81,305)	-	(81,305)
Total Other Financing Sources (Uses)	81,305	(81,305)	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(55,248)	(539,197)	4,794	(589,651)
Fund Balances - Beginning of the Year	2,658,965	8,811,751	33,065	11,503,781
Fund Balances - End of the Year	\$ 2,603,717	\$ 8,272,554	\$ 37,859	\$ 10,914,130

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

PINELANDS COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL AND SPECIAL REVENUE FUND TYPES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND				SPECIAL REVENUE FUNDS			
	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES								
State of New Jersey Appropriations	\$ 2,499,000	\$ 2,499,000	\$ 2,499,000	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits Paid by the State	687,000	687,000	687,000	-	-	-	-	-
Federal Grants	288,000	288,000	178,128	(109,872)	167,000	167,000	105,950	(61,050)
Other Grants	17,952	17,952	9,207	(8,745)	-	-	-	-
Interest Income	1,500	1,500	5,923	4,423	4,740	4,740	27,294	22,554
Application Fees	425,000	425,000	646,125	221,125	-	-	-	-
Anticipated from Reserves	65,250	65,250	65,250	-	-	-	-	-
Fund Balance Anticipated	496,310	496,310	496,310	-	225,815	225,815	225,815	-
Pinelands Conservation Activities Reserves	-	-	-	-	1,840,204	1,840,204	1,840,204	-
Other	81,700	81,700	94,255	12,555	-	-	-	-
Total Revenues	4,561,712	4,561,712	4,681,198	119,486	2,237,759	2,237,759	2,199,263	(38,496)
EXPENDITURES								
Current:								
Personnel	4,013,459	3,992,159	3,812,919	179,240	658,374	658,374	396,814	261,560
Supplies	75,261	75,261	62,520	12,741	7,394	7,394	2,611	4,783
Services	409,229	409,229	332,746	76,483	741,991	741,991	19,564	722,427
Maintenance & Rent	96,200	96,200	17,583	78,617	-	-	-	-
Capital Outlay	47,563	68,863	48,788	20,075	-	-	-	-
State Aid and Grants	-	-	-	-	-	-	-	-
Land Acquisition	-	-	-	-	750,000	750,000	150,000	600,000
Total Expenditures	4,641,712	4,641,712	4,274,556	367,156	2,157,759	2,157,759	568,989	1,588,770
Other Financing Sources/(Uses):								
Operating Transfers Out	-	-	-	-	(80,000)	(80,000)	(81,305)	(1,305)
Operating Transfers In	80,000	80,000	81,305	1,305	-	-	-	-
Total Other Financing Sources/(Uses)	80,000	80,000	81,305	1,305	(80,000)	(80,000)	(81,305)	(1,305)
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	\$ 487,947	\$ 487,947	\$ -	\$ -	\$ 1,548,969	\$ 1,548,969

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

**PINELANDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity – The Pinelands Commission was formed in 1979 by the Pinelands Protection Act. The Commission is charged with the development and implementation of the Comprehensive Management Plan for the Pinelands. It plays significant roles in monitoring the level and types of development that occur within the Pinelands including, but not limited to, acquisition of land, planning, zoning, permitting, research, and education. The Commission consists of 15 members. Seven are appointed by the Governor of New Jersey. Another seven are appointed by each of the counties within the Pinelands, i.e. Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, and Ocean. One member is appointed by the U.S. Secretary of the Interior. The Commission works closely with all levels of government, organizations, and interested citizens to help them understand and implement the Pinelands Comprehensive Management Plan.

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Commission. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Commission over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year.

Basis of Presentation – The financial statements of the Pinelands Commission have been prepared on a modified accrual basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The more significant of the Commission's accounting policies are described in this note.

The accounts of the Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The various funds and accounts are grouped into three fund types within two broad fund categories and two account groups as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenues, other than trusts, that are legally restricted to expenditures for specified purposes. The Commission utilizes the following three special revenue funds:

Pinelands Development Credit Fund – This fund is used to account for appropriations from the State of New Jersey that are restricted for purchasing Pinelands Development Credits through the Pinelands Development Credit Bank.

Kirkwood-Cohansey Study Fund – This fund is used to account for monies transferred to the Commission from the “Water Supply Fund” by the State of New Jersey to fund the completion of a report on the assessment on how the future and current water supply needs within the Pinelands area may be met while protecting the Kirkwood-Cohansey aquifer system.

Pinelands Conservation Fund – The Commission has reserved a portion of this fund to be used for preservation of land and designated other portions to be used for conservation planning/research and for community planning/design.

FIDUCIARY FUNDS

Private Purpose Trust Funds – The Private Purpose Trust Funds are used to account for assets held by the Commission in a trustee capacity or as an agent on behalf of others. These include two Private Purpose Trust Funds, the Unemployment Compensation Insurance Fund, and the “Katie” Fund. Private Purpose Trust Funds are accounted for in essentially the same manner as governmental funds. Private Purpose Trust Funds account for assets of which both the principal and interest may be spent.

ACCOUNT GROUPS

General Fixed Assets Account Group – Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

General Long-Term Debt Account Group – Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. This includes the non-current portion of the liability for compensated absences.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Basis of Accounting and Measurement Focus – The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental and fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Budgets/Budgetary Control – An annual appropriated budget is approved by the Commission each year for the General Fund and Special Revenue Funds. The budgets are prepared using the budgetary basis of accounting. Formal budgetary integration into the accounting system is employed as a management control device during the year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the General Fund and Special Revenue Funds are maintained on the budgetary basis. The budgetary basis differs from modified accrual basis in that the budgetary basis recognizes encumbrances as expenditures and also recognizes increases/decreases in internal designations of fund balance, whereas the modified accrual basis does not. Sufficient supplemental records are maintained to allow for the presentation of modified basis financial reports.

The budget, as detailed on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis – General Fund and Special Revenue Fund, include all amendments to the adopted budget.

The following presents a reconciliation of the General Fund from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to the modified accrual basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types.

Net Increase (Decrease) in Fund Balances for the Year (Budgetary Basis)	\$ 487,947
Adjustments:	
Less: Net decrease in revenue recognized in previous years	(561,560)
Less: Prior year encumbrances recognized as current year expenditures	(42,650)
Add: Current year encumbrances	<u>61,015</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses (Modified Accrual Basis)	<u>\$ (55,248)</u>

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds to the modified accrual basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Fiduciary Fund Types.

Net Increase (Decrease) in Fund Balances for the Year (Budgetary Basis)	\$1,548,969
Adjustments:	
Less: Net decrease in designation due to revenue previously claimed	(2,066,018)
Less: Prior year encumbrances	(22,148)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses (Modified Accrual Basis)	<u>\$ (539,197)</u>

Encumbrances – Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Cash and Cash Equivalents – Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost which approximates fair value. The Commission also participates in the State of New Jersey Cash Management Fund administered by the New Jersey Department of the Treasury, Division of Investment, wherein amounts contributed by the State as well as other local government units are combined into a large scale investment program.

Prepaid Expenses – Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

Fixed Assets – General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets are defined by the Commission as assets, which have a cost in excess of \$1,000 at the date of acquisition and a useful life of one year or more. Expenditures which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance is not capitalized.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick, and paid leave bank. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the General Long-Term Debt Account Group.

Due from/to Other Funds – Amounts due from/to other funds represent monies owed from or to other funds. The General Fund disburses all the funds for expenditures incurred by all other funds, and the monies are transferred between funds.

Deferred Revenue – Deferred revenue in the general and special revenue funds represents cash that has been received but not yet earned.

Fund Balance – Refer to Note 11 for full description.

Total Columns on Combined Statements – Total columns are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, as of July 1, 2015.

Note 2: CASH AND CASH EQUIVALENTS

The Pinelands Commission is governed by the deposit limitations of New Jersey state law. The Deposits held at June 30, 2016, and reported at fair value are as follows:

Deposits:	Amount
Demand Deposits	<u>\$ 12,944,502</u>
Total Deposits	<u>\$ 12,944,502</u>

Reconciliation of Statement of Comparative Balance Sheets:

General Fund	\$ 2,774,719
Special Revenue Fund	10,136,586
Private Purpose Trust Fund	<u>33,197</u>
Total Reconciliation of Comparative Balance Sheets	<u>\$12,944,502</u>

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires that the Pinelands Commission disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Commission will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2016, the Commission's confirmed bank balances amounted to \$356,143, and \$106,143 was exposed to custodial credit risk as uninsured and uncollateralized.

The balance of the Commission's cash and cash equivalents are deposited in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. An amount totaling \$12.8 million is deposited with the Fund as of June 30, 2016. The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, NJ 08625-0290.

Note 3: FIXED ASSETS

The following schedule is a summarization of general fixed assets by source as of June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Furniture/ Equipment	\$1,261,743	\$48,931	-	\$1,310,674
Vehicles	99,242	-	-	99,242
Total	<u>\$1,360,985</u>	<u>\$48,931</u>	<u>-</u>	<u>\$1,409,916</u>

Note 4: LEASES

Lease Obligations - At June 30, 2016, the Commission had an operating lease agreement in effect for one copy machine. Future minimum rental payments under the operating lease agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$2,923

Rental payments under the operating lease for the fiscal year ended June 30, 2016 were \$2,145.

**PINELANDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 5: PENSION PLAN

All required employees of the Commission 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 systems will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statement and required supplementary information. This report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions>

General Information about the Pension Plan

Plan Description

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established in January 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.

Vesting and Benefit Provisions

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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. Employees hired on or after July 1, 2008 are required to have worked a minimum of seven (7) of those service years at the Pinelands Commission. These same benefits are extended to employees who retire on disability pensions with no requirements on the years of service.

Contributions

Public Employees' Retirement System – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012.

The member contribution rate was 7.06% in State Fiscal Year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent state fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The Commission's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability. The Commission's contractually required contribution rate for the fiscal year ended June 30, 2016 was 12.91% of the Commission's covered-employee payroll. This amount was actuarially

determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The Commission's contractually required contribution to the pension plan for the fiscal year ended June 30, 2016 is \$349,552, which was paid on March 28, 2017. Due to the basis of accounting described in Note 1, no liability has been accrued in the financial statements for this amount. The Commission's contractually required contribution to the pension plan for the fiscal year ended June 30, 2015 was \$331,197, which was paid on March 31, 2016. Employee contributions to the plan during the fiscal year ended June 30, 2016 were \$191,480.

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

Public Employees' Retirement System – The Commission's proportionate share of the PERS net pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources are calculated by the State of New Jersey, Division of Pension and Benefits. At June 30, 2016 the Commission's proportionate share of net pension liability was \$8,647,707.

The total pension liability used to calculate the net pension liability at June 30, 2016 was determined by an actuarial valuation as of June 30, 2014 and rolled forward to the measurement date of June 30, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Commission's proportion was .0385232928%, which was a decrease of .0021485735% from its proportion measured as of June 30, 2014.

At June 30, 2016, the Commission's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2016 measurement date is \$530,651. This expense is not recognized by the Commission because of the basis of accounting as described in Note 1; however, as previously mentioned, for the fiscal year ended June 30, 2016, the Commission's contribution to PERS was \$331,197 and was paid on March 31, 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – The following presents a summary of changes in deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2015:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
	<u>PERS</u>	<u>PERS</u>
Differences between Expected And Actual Experiences	\$ 206,304	\$ -
Changes of Assumptions	928,695	-
Net Difference between Projected And Actual Earnings on Pension Plan Investments		139,039
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	158,370	341,288
Commission Contributions Subsequent to The Measurement Date	<u>349,552</u>	<u>-</u>
	<u>\$ 1,642,921</u>	<u>\$ 480,327</u>

\$349,552 for PERS included in deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2017.

The Commission will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

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

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Fiscal Year</u>		<u>PERS</u>
<u>Ending June 30,</u>		
2017	\$	145,504.00
2018		145,504.00
2019		145,502.00
2020		258,955.00
2021		<u>117,577.00</u>
	\$	<u>813,042.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>
Inflation	3.04%
Salary Increases:	
2012-2021	2.15% - 4.40% Based on Age
Thereafter	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2008 – June 30, 2011

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

In accordance with state statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and the Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	<u>4.25%</u>	5.12%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2015 was 4.90% for PERS. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 rates 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 average of the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Commission's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Public Employees' Retirement System (PERS) – The following presents the Commission's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, as well as what the Commission's proportionate share of the net pension liability would be if it were

calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (<u>3.90%</u>)	Current Discount Rate (<u>4.90%</u>)	1% Increase (<u>5.90%</u>)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 10,748,042</u>	<u>\$ 8,647,707</u>	<u>\$ 6,886,802</u>

Pension Plan Fiduciary Net Position

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

Supplementary Pension Information

In accordance with GASB 68, the following information is also presented for the PERS Pension Plan. These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule of the Commission's Proportionate Share of the Net Pension Liability – Public Employees' Retirement System (PERS) (Last Three Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Commission's Proportion of the Net Pension Liability	0.0385232928%	0.0406718663%	0.0394699485%
Commission's Proportionate Share of the Net Pension Liability	\$ 8,647,707	\$ 7,614,886	\$ 7,543,491
Commission's Covered Payroll (Plan Measurement Period)	\$ 2,739,132	\$ 2,796,096	\$ 2,698,088
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	315.71%	272.34%	279.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Schedule of the Commission's Contributions – Public Employees' Retirement System (PERS) (Last Three Years)

					<u>Fiscal Year Ended June 30,</u>		
					<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Contractually Required Contribution					\$349,552	\$331,197	\$335,293
Commission's Contribution in Relation to the Contractually							
Required Contribution					<u>\$ (349,552.00)</u>	<u>\$ (331,197.00)</u>	<u>\$ (335,293.00)</u>
Commission's Contribution Deficiency (Excess)					<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll (Fiscal Year)					\$2,707,759	\$2,697,688	\$2,769,943
Commission's Contribution as a Percentage of it's							
Covered Payroll					12.91%	12.28%	12.10%

Other Notes to Supplementary Pension Information

Public Employees' Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions – The discount rate changed from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Changes in Assumptions – New assumptions related to future increases on Social Security Wage Base and the 401(a)(17) compensation limit have been added as follows:

401(a)(17) Pay Limit – 3.00% per annum

Social Security Wage Base – 4.00% per annum

Note 6: HEALTH CARE BENEFITS

The Commission provides health care benefits, through the New Jersey State Health Benefits Program, to all continuing employees who are scheduled to work 25 or more hours per week, along with their spouses and eligible dependents. Expenditures for health care benefits are recognized on a pay-as-you-go basis.

In accordance with P.L. 2011, Chapter 78, employees enrolled in the New Jersey State Health Benefits Program are required to contribute a portion of their bi-weekly salary. The balance of the monthly health care benefits premium is paid by the Commission who receives a partial reimbursement from the New Jersey interdepartmental accounts. Employees covered by other health insurance can elect to waive coverage and receive

\$1,000 annually.

The Commission's health care benefits premiums, including employees' contributions, are as follows:

Health Care Costs

<u>Fiscal Year</u>	<u>Premium</u>	<u>Cost to Commission</u>	<u>Employee Contributions</u>	<u>Interdepartmental</u>
2016	\$797,988	\$152,839	\$134,285	\$510,864
2015	\$840,454	\$195,690	\$130,114	\$514,650
2014	\$728,622	\$256,173	\$94,524	\$377,725
2013	\$649,837	\$227,396	\$60,864	\$361,577
2012	\$611,148	\$228,371	\$36,728	\$346,049

Note 7: POST EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990, respectively, required the Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those employees who retire after accumulating 25 years of credited service or who are on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through PERS. It created separate funds outside of the pension plan for the funding and payment of post-retirement medical benefits for retired state employees and retired education and other eligible employees. As of June 30, 2016, there were 144,675 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. During the fiscal year ended June 30, 2016, expenditures of \$268,574 and Medicare Part B payments of \$14,437 were recognized for post-retirement health care of which \$176,136 was funded by the New Jersey interdepartmental accounts. The Commission has committed a portion of the unassigned fund balance (see Note 11) as a funding source for post-employment benefits.

Note 8: RISK MANAGEMENT

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

Property and Liability Insurance – The Commission maintains commercial insurance coverage for property, liability, and surety bonds.

New Jersey Unemployment Compensation Insurance – In 1979, the Commission elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Commission is required to

reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The Commission is billed quarterly for amounts due to the state. The following is a summary of employee contributions, reimbursements to the state for benefits paid, and the ending balance of the Commission's trust fund for the current and previous four years:

Fiscal Year	Employee Contribution	Amount Reimbursed	Funding Balance*
2016	\$4,133	-	\$16,168
2015	\$5,602	-	\$12,016
2014	\$4,037	-	\$ 6,408
2013	\$3,915	\$8,158	\$ 2,369**
2012	\$3,916	\$30,963	- ***

- * Includes annual interest income
- ** Includes employer contribution of \$6,612
- *** Includes employer contribution of \$19,112

Note 9: LONG-TERM DEBT

Compensated Absences:

The Commission's policy states that employees are entitled, upon termination, to the current year's earned but unused vacation time in addition to any unused vacation time previously earned up to a maximum of 30 days. In addition, employees are eligible, at retirement, to receive payment for one-half of their accumulated sick leave up to a maximum of \$15,000. Unused vacation time expected to be taken in the succeeding fiscal year in the amount of \$32,330 has been recorded as a liability in the General Fund on the accompanying balance sheet.

A liability for vested compensated absences has also been established in the General Long-Term Debt Account Group as the benefits accrue to employees. As of June 30, 2016, the estimated long-term liability for compensated absences was \$333,657. Long-term debt as of June 30, 2016 is as follows:

	Balance 6/30/15	Additions	Retired	Balance 6/30/16	Due Within One Year
Compensated Absences Payable	\$35,722	-	\$3,392	\$32,330	\$32,330
Estimated Compensated Absences Payable	\$307,418	\$26,239	-	\$333,657	-
Total	\$343,140	\$26,239	\$3,392	\$365,987	\$32,330

Note 10: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$125,522	-
Special Revenue Fund	-	\$130,184
Private Purpose Trust Fund	\$4,662	-
Total	\$130,184	\$130,184

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of the other funds. During the fiscal year 2017, the Commission expects to liquidate such interfunds, depending on the availability of cash flow.

Note 11: GASB 54 – FUND BALANCE DISCLOSURES

In accordance with Government Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Pinelands Commission classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Commission through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Executive Director.
- Unassigned – includes the balance within the General Fund that has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Specific reservation of fund balances are described below:

RESTRICTED FOR:

Unemployment Compensation – This reserve was established with funds contributed by employees and used to reimburse the state for benefits paid, \$16,168.

Katie Fund – The Kathleen M. Lynch-van de Sande Fund consists of contributions from the public which are dedicated to the support of reforestation and vegetation activities in the Pinelands and to further educational programs and projects that enhance the understanding of the Pinelands National Reserve, \$21,691.

Timber Rattlesnake Study – This reserve was created as a result of a settlement in order to fund an escrow for the study and monitoring of timber rattlesnakes in and near a particular development site, \$6,570.

Rattlesnake Fencing – This reserve was created to account for funds restricted for possible future fencing necessitated by the above rattlesnake study, \$21,407.

COMMITTED TO:

Pinelands Conservation Fund – This reserve was established with funds provided by the Atlantic Electric Co. as a result of the proposed electric transmission line project to further the Pinelands protection program and ensure a greater level of protection for the unique resources of the Pinelands area, \$6,174,080.

Kirkwood-Cohansey Study – This reserve was created from funds from the Water Supply Fund to assess and prepare a report on the key hydrological and ecological information needed to determine how the current and future water supply needs with the Pinelands may be met while protecting the Kirkwood-Cohansey aquifer system and avoiding any adverse ecological impact, \$63,954.

Encumbrances – The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Commission but not completed as of the close of the fiscal year, \$135,739.

Retirees' Health Benefits – This is a designation of fund balance that the Commission intends to utilize to fund future retirees' health benefits, \$799,155.

Microfilming Project – This is a designation of fund balance that the Commission intends to utilize for the microfilming or imaging of Commission records and documents, \$42,825.

Building Improvements – This is a designation of fund balance that the Commission intends to utilize to fund building improvements, \$82,381.

Vehicle Replacements – This is a designation of fund balance that the Commission intends to use to replace existing Commission motor vehicles, \$131.

Computer Replacements – This is a designation of fund balance that the Commission intends to use to replace obsolete computer hardware and software, \$64,135.

Other – This represents designations of fund balance that the Commission intends to utilize for various projects, such as educational activities, \$5,001.

ASSIGNED TO:

Subsequent Year’s Expenditures – This designation of fund balance has been appropriated and included as anticipated revenue for the year ending June 30, 2017, \$2,332,051.

Other – This represents designations of fund balance that the Commission intends to utilize for various projects, such as Pinelands poster reprinting and service awards, \$5,246.

UNASSIGNED FUND BALANCE:

Unassigned – This represents the portion of fund balance resources available for appropriation, \$1,143,596.

Note 12: ECONOMIC DEPENDENCY

The Commission receives a significant portion of its total revenues from the State of New Jersey. Since these revenues are subject to annual appropriation, any reduction in the amount appropriated in the state’s budget will have a material impact on the operations of the Commission. A comparison of annual operating revenues is shown below:

<u>Fiscal Year</u>	<u>Total State Aid Revenues</u>	<u>General Fund Revenues *</u>	<u>Percentage</u>
2016	\$3,186,000	\$4,200,943	76%
2015	\$3,156,000	\$4,154,901	76%
2014	\$3,156,000	\$3,753,832	84%
2013	\$3,156,000	\$4,165,805	76%
2012	\$3,156,000	\$4,139,823	76%

* Includes transfers from other funds

Other Information

PINELANDS COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Grantor/Pass Through Grantor/Program Title	State Grant or GMIS Number	Program or Award Amount	Grant Period		Accounts Receivable 06/30/15	Deferred Revenue 06/30/15	Cash Received	Expenditures	Accounts Receivable 06/30/16	Deferred Revenue 06/30/16
			From	To						
Department of Environmental Protection										
State Aid	100-042-4800-082	\$2,499,000	7/1/2015	6/30/2016	\$ -	\$ -	\$ 2,499,000	\$ 2,499,000	\$ -	\$ -
Pinelands Development Credit Purchases	100-042-4800-324	\$13,000,000	7/1/1999	Completion	\$ -	1,759,200	-	-	-	1,759,200
Interdepartmental Accounts										
State Aid-Fringe Benefits	100-094-9410-011	\$687,000.00	7/1/2015	6/30/2016	-	-	687,000	687,000	-	-
Total State Assistance					\$ -	\$ 1,759,200	\$ 3,186,000	\$ 3,186,000	\$ -	\$ 1,759,200

See Report and the Notes to the Schedule of Expenditures of State Financial Assistance.

**PINELANDS COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 1: GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance presents the activity of all state financial assistance programs of the New Jersey Pinelands Commission. The Commission is defined in Note 1 to the financial statements. All state financial assistance received directly from state agencies is included on the Schedule of Expenditures of State Financial Assistance

Note 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Financial Assistance is presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1 to the Commission's general-purpose financial statements.

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Commission's financial statements.

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

Note 5: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the Schedule of Findings and Questioned Costs.

Pinelands Commission

**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***

For Fiscal Year Ended June 30, 2016

LEGISLATIVE SERVICES COMMISSION

SENATOR
STEPHEN M. SWEENEY
Chairman

ASSEMBLYMAN
JON M. BRAMNICK
Vice-Chairman

SENATE

CHRISTOPHER J. CONNORS
NIA H. GILL
ROBERT M. GORDON
THOMAS H. KEAN, JR.
JOSEPH M. KYRILLOS, JR.
JOSEPH PENNACCHIO
LORETTA WEINBERG

GENERAL ASSEMBLY

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JOHN J. BURZICHELLI
JOHN DIMAIO
THOMAS P. GIBLIN
LOUIS D. GREENWALD
NANCY F. MUNOZ
VINCENT PRIETO



New Jersey State Legislature

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Executive Director
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STEPHEN M. EELLS
State Auditor

DAVID J. KASCHAK
Assistant State Auditor

JOHN J. TERMYNA
Assistant State Auditor

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Vincent Prieto
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

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 the Pinelands Commission, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pinelands Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pinelands Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pinelands Commission's internal control.

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. However, as described in the accompanying schedule of findings and responses, we did identify deficiencies in internal control that we consider to be significant deficiencies.

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 *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. We consider the deficiencies described in Findings 2016-001 and 2016-002 in the accompanying schedule of findings and responses to be significant deficiencies.

Pinelands Commission's Response to Findings

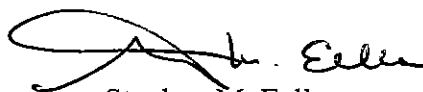
The Pinelands Commission's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Pinelands Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pinelands Commission'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*.

Purpose of this Report

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



Stephen M. Eells
State Auditor
September 29, 2017

**PINELANDS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-001

Significant Deficiency – Internal Controls over Bank Reconciliations

Bank account reconciliations are required by the Commission's policy to be done on a timely and routine basis. They are necessary to assure that cash assets agree with recorded amounts and allow for prompt detection of unrecorded and improperly recorded cash transactions, exceeding the FDIC limit, or bank errors. We found that bank reconciliations were not properly completed for their operating account as required by the Commission's Accounting/Financial Control Procedures Manual for the third consecutive year. Even though the amount of necessary adjustments decreased from last year, they were not made until year-end.

We recommend the Commission ensure that bank account reconciliations are timely and properly prepared by an employee who does not have access to the bank account nor an employee who records cash transactions.

Response: 2016-001

Please see page 43

Finding 2016-002

Significant Deficiency – Disaster Recovery Plan

The Pinelands Commission had not tested the updated disaster recovery plan. It has a limited number of servers and is not able to dedicate one for testing. The U.S. Government Accountability Office has issued the Federal Information System Controls Audit Manual (FISCAM) to provide industry standards for the preparedness of restoring critical applications in the event of a disaster. FISCAM requires the documented plan be periodically tested and evaluated for effectiveness. In the event of a disaster, there is no assurance the plan will work as proposed. Business continuity can be compromised.

We recommend the Commission periodically test and evaluate the updated disaster recovery plan and document the results.

Response: 2016-002

Please see page 43

Pinelands Commission

**Report on Compliance for Each Major State Program; Report on
Internal Control Over Compliance; and Report on Schedule of
Expenditures of State Financial Assistance Required by New Jersey Department of the
Treasury Circular 15-08-OMB**

For the Fiscal Year Ended June 30, 2016

LEGISLATIVE SERVICES COMMISSION

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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY DEPARTMENT OF THE TREASURY CIRCULAR 15-08-OMB

INDEPENDENT AUDITOR'S REPORT

The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Vincent Prieto
Speaker of the General Assembly

Ms. Peri A. Horowitz
Executive Director
Office of Legislative Services

Report on Compliance for Each Major State Program

We have audited the Pinelands Commission's compliance with the types of compliance requirements described in the New Jersey Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016. The Pinelands Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pinelands Commission's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and New Jersey Department of the Treasury Circular 15-08-OMB. These standards and New Jersey Department of the Treasury Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Pinelands Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Pinelands Commission's compliance.

Opinion on Each Major State Program

In our opinion, the Pinelands Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Pinelands Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pinelands Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey Department of the Treasury Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pinelands Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

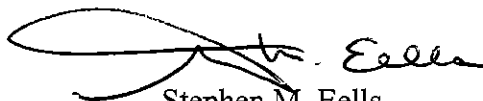
requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey Department of the Treasury Circular 15-08-OMB. Accordingly, this report is not suitable for any other purposes.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey Department of the Treasury Circular 15-08-OMB

We have audited the financial statements of the Pinelands Commission as of and for the year ended June 30, 2016, and have issued our report thereon dated September 29, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey Department of the Treasury Circular 15-08-OMB and is not a required part 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 expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



Stephen M. Eells
State Auditor
September 29, 2017

**PINELANDS COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards Section

Federal Awards Section is not applicable; The Pinelands Commission did not meet the \$500,000 threshold for federal single audit.

State Awards Section

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with New Jersey Department of the Treasury Circular 15-08-OMB	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**PINELANDS COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results (continued):

Identification of major programs:

<u>State Program Number</u>	<u>Name of State Program</u>
100-042-4800-082	State of New Jersey Appropriation
100-094-9410-011	State Aid – Fringe Benefits

Section II – Schedule of Financial Statement Findings

Finding 2016-001

Significant Deficiency – Internal Controls over Bank Reconciliations

Bank account reconciliations are required by the Commission’s policy to be done on a timely and routine basis. They are necessary to assure that cash assets agree with recorded amounts and allow for prompt detection of unrecorded and improperly recorded cash transactions, exceeding the FDIC limit, or bank errors. We found that bank reconciliations were not properly completed for their operating account as required by the Commission’s Accounting/Financial Control Procedures Manual for the third consecutive year. Even though the amount of necessary adjustments decreased from last year, they were not made until year-end.

We recommend the Commission ensure that bank account reconciliations are timely and properly prepared by an employee who does not have access to the bank account nor an employee who records cash transactions.

Response: 2016-001

Please see page 43

Finding 2016-002

Significant Deficiency – Disaster Recovery Plan

The Pinelands Commission had not tested the updated disaster recovery plan. It has a limited number of servers and is not able to dedicate one for testing. The U.S. Government Accountability Office has issued the Federal Information System Controls Audit Manual (FISCAM) to provide industry standards for the preparedness of restoring critical applications in the event of a disaster. FISCAM requires the documented plan be periodically tested and evaluated for effectiveness. In the event of a disaster, there is no assurance the plan will work as proposed. Business continuity can be compromised.

We recommend the Commission periodically test and evaluate the updated disaster recovery plan and document the results.

Response: 2016-002

Please see page 43

Section III – Schedule of State Awards Findings and Questioned Costs

The audit disclosed no findings or questioned costs for the current period.

PINELANDS COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2016

<u>Finding No.</u>	<u>Condition</u>	<u>Status</u>
2015-001	Internal Control over Bank Reconciliations	Non-compliant
2015-002	Significant Deficiency – Disaster Recovery Plan	Non-compliant



Chris Christie
Governor

Kim Guadagno
Lt. Governor

State of New Jersey
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Application Specific Information: AppInfo@njpines.state.nj.us



Sean W. Earlen
Chairman

Nancy Wittenberg
Executive Director

December 7, 2017

Mr. Stephen M. Eells
State Auditor
Office of the State Auditor
State House Annex
P.O. Box 067
Trenton, NJ 08625-0067

Dear Mr. Eells:

The Pinelands Commission and its Audit Committee appreciate the work of the State Auditors in completing our FY2016 Audit. Additionally, the Commission looks forward to working with your staff on our FY2017 audit and into the future.

The audit report includes two findings dealing with Internal Controls over bank reconciliations and the need to test the existing disaster recovery plan. These findings are similar to those of the FY2015 Audit as the Audits were done without any time between them. The Commission has procured a new integrated system which will include budget, accounting and financial reporting modules. The Management Information System (MIS) department has been purchased the hardware and software necessary for testing the existing plan and future maintenance of the plan.

The Commission's Management Team and its Audit Committee are confident that these issues will be resolved with the implementation of a new accounting system and the update to the disaster recovery plan.

Sincerely,

Nancy Wittenberg
Executive Director

CORRECTIVE ACTIONS FOR FY-2016 AUDIT FINDING

Finding 2016-001

Significant Deficiency – Internal Controls over Bank Reconciliations

Bank account reconciliations are required by the Commission's policy to be done on a timely and routine basis. They are necessary to assure that cash assets agree with recorded amounts and allow for prompt detection of unrecorded and improperly recorded cash transactions, exceeding the FDIC limit, or bank errors. We found that bank reconciliations were not properly completed for their operation account as required by the Commission's Accounting/Financial Control Procedures Manual for the third consecutive year. Even though the amount of necessary adjustments decreased from last year, they were not made until year-end.

Auditor Recommendation:

We recommend the Commission ensure that bank account reconciliations are timely and properly prepared by an employee who does not have access to the bank account or by an employee who records cash transactions.

Corrective Action:

After the finding from the FY 2015 Audit was issued on June 1, 2017 the Commission's Independent Accountant from Bowman & Company addressed this finding and created a reconciliation that has been approved by the State Auditors. The FY 2016 audit was conducted late due to delays associated with the FY 2015 audit, thus leaving the Commission no time to address this matter. The FY 2015 audit was completed on (05/12/2017) and the FY16 Audit began on (05/25/2017). Due to this timeframe the existing bank reconciliations for FY 2016 were reviewed and reformatted to the approved reconciliation form after the end of the fiscal year. From that point forward the bank reconciliations have been reviewed by an Independent Accountant from Bowman & Company.

CORRECTIVE ACTIONS FOR FY- 2016 AUDIT FINDING

Finding 2016-002

Significant Deficiency – Disaster Recovery Plan

The Pinelands Commission has not tested the updated disaster recovery plan. It has a limited number of servers and is not able to dedicate one for testing. The U.S. Government Accountability Office has issued the Federal Information System Controls Audit Manual (FISCAM) to provide industry standards for the preparedness of restoring critical applications in the event of a disaster. FISCAM required the documented plan be periodically tested and evaluated for effectiveness. In the event of a disaster, there is no assurance the plan will work as proposed. Business continuity can be compromised.

Auditor Recommendation:

We recommend the Commission periodically test and evaluate the updated disaster recovery plan and documents the results.

Corrective Action:

As previously stated in response to Corrective Action 2016-001; the FY 2016 audit was conducted late due to delays associated with the FY 2015 audit, thus leaving the Commission no time to address this matter. The FY 2015 audit was completed on (05/12/2017) and the FY16 Audit began on (05/25/2017).

The Commission's existing computer related hardware (server) does not provide a platform to simulate a disaster and recovery scenario. To address this, funds to purchase a development and test server were included in the FY 2018 budget. This server will allow for the testing of the Commission disaster recovery plan. In FY 2018 the Pinelands Commission will simulate recoveries for all its production systems using this hardware, and thus validate the Disaster Recovery Plan.

The Pinelands did suffer a system crash on October 21, 2016 which required the Disaster Recovery Plan to be enacted. Below is a full description as provided to the State Auditors on September 17, 2017:

This was a recovery for the GIS server which stores geospatial data for Development Review and Planning offices. No financial or accounting, etc. information was/is on the server (or its replacement)

Server HR52S51, Legacy GIS Oracle Server, SIS failed on Friday, October 21. Over the weekend of Oct. 22 a root cause analysis and recovery planning was performed following procedures laid out in the Disaster Recovery plan (modified to suit our needs). Work included contacting Dell hardware support.

Step 1: MIS Manager (EHB) decided that given the current status of the migration to replacement GIS server "CATAWBA" was in the final stages, it would best serve the needs of the Pinelands to have the GIS office implement CATAWBA, while the MIS office focused on recovery. This was the only modification of the disaster recovery plan. The GIS Specialist made necessary changes to go live with CATAWBA

Step 2: MIS Manager along with Principal MIS Specialist focused on recovery of SIS by following steps "Oracle File Server Configurations"

- Initial Setup was skipped since it was not necessary (server was already online, only Oracle files were corrupted)*
- Steps "1-3" in the Disaster Recovery manual were followed for Installing Oracle to create a valid Oracle instance*
- Tablespaces were loaded from backup .dmp files as defined in 'step 4'*

Outcome:

SIS was restored as functioning Oracle Server and available for use if necessary. Decision to deploy CATAWBA was optimal. It resulted in less downtime to the users and completed the server migration that had been ongoing.

Next Steps:

Following this event and recovery, this server (SIS) was decommissioned via a phased transition starting in December 2016 (As noted in Disaster Recovery plan, this retirement was already planned and underway prior to the failure event).

Step 1: Dec 2016: Server permissions were set to "read only": this would allow users to continue work if they were still connected to the old system, but they could not make any changes. Several users notified us that they were no longer able to edit their data. These occurrences were investigated and changes were made to point the users to the new server (CATAWBA)

Step 2: Jan 2017: Server taken off the network: This kept the system in a functioning state, but ensured that no users or software applications could connect to it. Any such

users or software could be identified and modified to point to the new server. If such changes could not be made in a timely fashion, the system could have been restored.
NO EVENTS TOOK PLACE

Step 3: Feb 2017: Server powered down: The server was powered down, but kept in a useable state if booted. This was a final step to ensure that all software and systems had been migrated appropriately. NO EVENTS TOOK PLACE

Step 4: Mar 2017: Server hard drives were "scrubbed and wiped" as defined by NJ State policies and procedures. Also, appropriate paperwork was submitted to dispose of asset as defined by NJ State policies and procedures