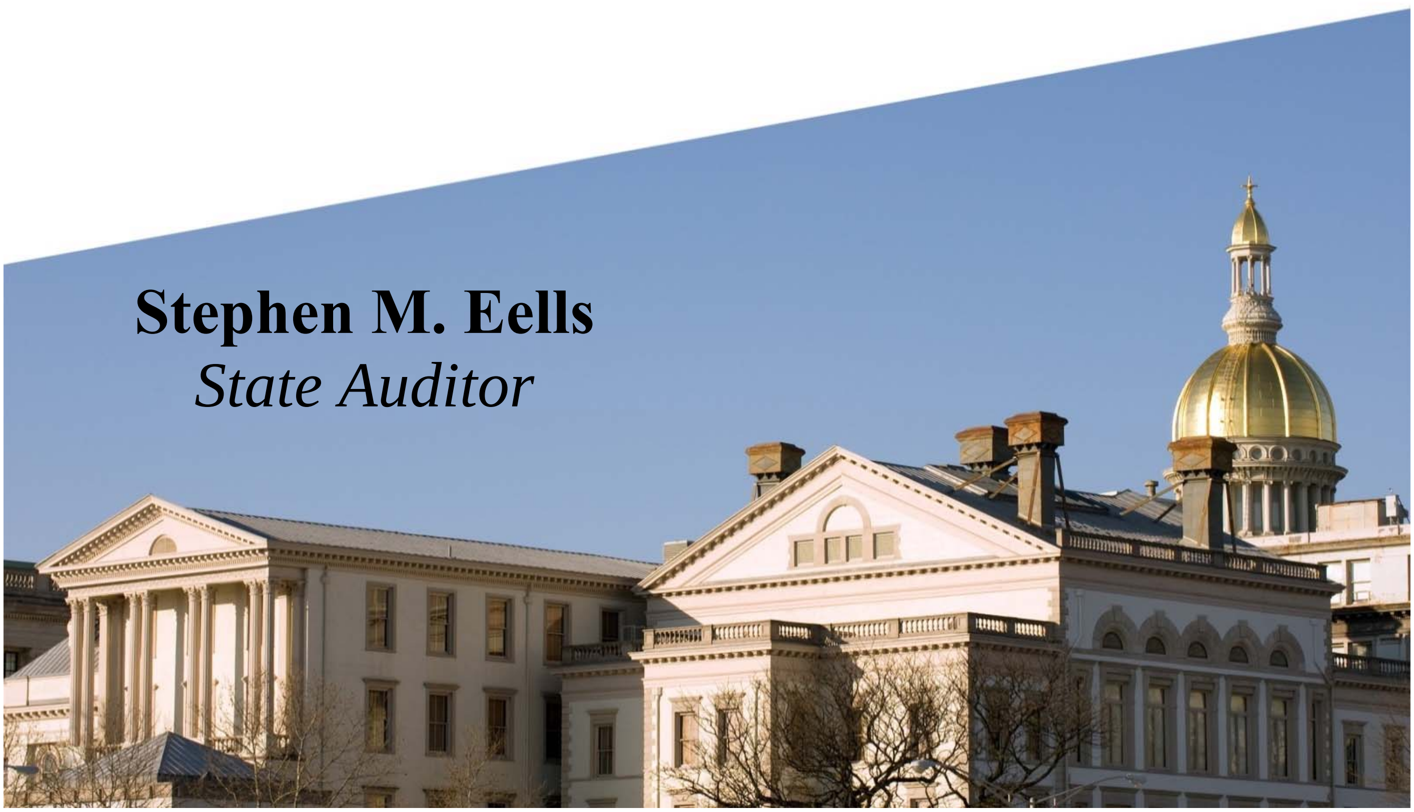
New Jersey Legislature
Office of LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR

Pinelands Commission

Fiscal Year 2018



Stephen M. Eells
State Auditor

New Jersey State Legislature

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The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

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

Enclosed is our report on the audit of the Pinelands Commission for the fiscal year ended June 30, 2018. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells
State Auditor
January 3, 2020

PINELANDS COMMISSION
TABLE OF CONTENTS

New Jersey State Legislature

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INDEPENDENT AUDITOR'S REPORT

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
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, 2018, 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, 2018, 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.

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's 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 6, 2019 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 6, 2019

PINELANDS COMMISSION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		
	GENERAL FUND	SPECIAL REVENUE FUNDS	PRIVATE PURPOSE TRUST FUNDS	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (Memorandum Only)
ASSETS						
Cash & Cash Equivalents	$ 2,381,416	$ 9,027,910	$ 46,264	$ -	$ -	$ 11,455,590
Receivables						
Federal	137,382	-	-	-	-	137,382
Other		-	-	-	-	-
General Fixed Assets						
Furniture & Equipment	-	-	-	1,132,442	-	1,132,442
Vehicles	-	-	-	110,720	-	110,720
Amount to be Provided for						
Retirement of Long-Term Liabilities	-	-	-	-	351,517	351,517
Due from Other Funds	362,505	-	-	-	-	362,505
Total Assets	$ 2,881,303	$ 9,027,910	$ 46,264	$ 1,243,162	$ 351,517	$ 13,550,156
LIABILITIES & FUND EQUITY						
Liabilities						
Accounts Payable	$ 332,974	$ -	$ -	$ -	$ -	$ 332,974
Salaries Payable	59,631	-	-	-	-	59,631
Payroll Deductions Payable	85,924	-	-	-	-	85,924
Compensated Absences	35,271	-	-	-	351,517	386,788
Deferred Revenue	29,600	1,759,199	-	-	-	1,788,799
Due to State	6,980	-	-	-	-	6,980
Due to Other Funds	-	352,854	9,651	-	-	362,505
Total Liabilities	550,380	2,112,053	9,651	-	351,517	3,023,601
Fund Equity						
Restricted For						
Unemployment Compensation	-	-	14,301	-	-	14,301
Katie Fund	-	-	7,312	-	-	7,312
Timber Rattlesnake Study	6,570	-	-	-	-	6,570
Rattlesnake Fencing	21,407	-	-	-	-	21,407
Committed To						
Pinelands Conservation	-	5,511,140	-	-	-	5,511,140
Kirkwood-Cohansey Study	-	13,582	-	-	-	13,582
Encumbrances	77,252	450,269	-	-	-	527,521
Retirees' Health Benefits	799,155	-	-	-	-	799,155
Microfilming Project	10,984	-	-	-	-	10,984
Building Improvements	42,381	-	-	-	-	42,381
Vehicle Replacements	131	-	-	-	-	131
Computer Replacements	27,295	-	-	-	-	27,295
Other	5,000	-	-	-	-	5,000
Investment in General Fixed Assets	-	-	-	1,243,162	-	1,243,162
Assigned To						
Subsequent Years Expenditures	570,563	928,667	15,000	-	-	1,514,230
Other	1,835	12,199	-	-	-	14,034
Unassigned Fund Balance	768,350	-	-	-	-	768,350
Total Fund Equity	2,330,923	6,915,857	36,613	1,243,162	-	10,526,555
Total Liabilities & Fund Equity	$ 2,881,303	$ 9,027,910	$ 46,264	$ 1,243,162	$ 351,517	$ 13,550,156

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, 2018

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	
	GENERAL FUND	SPECIAL REVENUE FUNDS	PRIVATE PURPOSE TRUST FUNDS	TOTAL (Memorandum Only)
REVENUES				
State of New Jersey Appropriations	$ 2,649,000	$ -	$ -	$ 2,649,000
Credit from State - Fringe Benefits	687,000	-	-	687,000
Federal Grants	310,336	30,000	-	340,336
Other Grants	-	-	-	-
Interest Income	37,146	123,641	563	161,350
Unemployment Deductions	-	-	6,334	6,334
Application Fees	433,952	-	-	433,952
Other	132,805	-	71	132,876
Total Revenues	4,250,239	153,641	6,968	4,410,848
EXPENDITURES				
Current:				
Personnel	4,039,184	562,232	872	4,602,288
Supplies	65,589	1,373	-	66,962
Services	395,703	33,431	-	429,134
Maintenance & Rent	63,911	-	-	63,911
Capital Outlay	28,351	-	-	28,351
Land Acquisition	-	223,363	-	223,363
Total Expenditures	4,592,738	820,399	872	5,414,009
Excess (Deficiency) of Revenues Over Expenditures	(342,499)	(666,758)	6,096	(1,003,161)
OTHER FINANCING SOURCES (USES)				
Uncollectible Receivables	-	(24,378)	-	(24,378)
Operating Transfers In	92,021	-	-	92,021
Operating Transfers Out	-	(92,021)	-	(92,021)
Total Other Financing Sources (Uses)	92,021	(116,399)	-	(24,378)
Excess (Deficiency) of Revenues and Other Sources over Expenditures & Other Uses	(250,478)	(783,157)	6,096	(1,027,539)
Fund Balances - Beginning of the Year	2,581,401	7,699,014	30,517	10,310,932
Fund Balances - End of the Year	$ 2,330,923	$ 6,915,857	$ 36,613	$ 9,283,393

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 FUNDS TYPES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			VARIANCE	SPECIAL REVENUE FUNDS			VARIANCE
	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES								
State of New Jersey Appropriations	$ 2,649,000	$ 2,649,000	$ 2,649,000	$ -	$ -	$ -	$ 30,000	$ 30,000
Credit from State - Fringe Benefits	687,000	687,000	687,000	-	-	-	-	-
Federal Grants	658,500	658,500	310,336	(348,164)	-	-	-	-
Other Grants	8,000	8,000	-	(8,000)	-	-	-	-
Interest Income	5,000	5,000	37,146	32,146	31,000	31,000	123,641	92,641
Application Fees	340,000	340,000	433,952	93,952	-	-	-	-
Anticipated from Reserves	122,070	122,070	122,070	-	-	-	-	-
Fund Balance Anticipated	394,468	394,468	394,468	-	162,792	162,792	162,792	-
Pinelands Conservation Activities Reserves	-	-	-	-	1,269,075	1,269,075	1,269,075	-
Other	81,800	81,800	132,805	51,005	-	-	-	-
Total Revenues	4,945,838	4,945,838	4,766,777	(179,061)	1,462,867	1,462,867	1,585,508	122,641
EXPENDITURES								
Current:								
Personnel	4,286,323	4,286,323	4,039,183	247,140	590,672	590,672	562,232	28,440
Supplies	81,060	81,060	65,045	16,015	2,975	2,975	1,316	1,659
Services	490,831	490,831	281,135	209,696	289,220	289,220	63,481	225,739
Maintenance & Rent	122,400	122,400	63,164	59,236	-	-	-	-
Capital Outlay	45,224	45,224	24,408	20,816	-	-	-	-
Land Acquisition	-	-	-	-	500,000	500,000	223,363	276,637
Total Expenditures	5,025,838	5,025,838	4,472,935	552,903	1,382,867	1,382,867	850,392	532,475
OTHER FINANCING SOURCES (USES)								
Uncollectible Receivables	-	-	-	-	-	-	(24,378)	(24,378)
Operating Transfers In	80,000	80,000	92,021	12,021	-	-	-	-
Operating Transfer Out	-	-	-	-	(80,000)	(80,000)	(92,021)	(12,021)
Total Other Financing Sources (Uses)	80,000	80,000	92,021	12,021	(80,000)	(80,000)	(116,399)	(36,399)
Net Increase (Decrease) in Fund Balance	$ -	$ -	$ 385,863	$ 385,863	$ -	$ -	$ 618,717	$ 618,717

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

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 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. 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.

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 – General and Special Revenue Fund Types, Budget and Actual – Budgetary Basis, 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 – General and Special Revenue Fund Types – Budget and Actual – Budgetary Basis 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) adjustments:	$	385,863
Less: net decrease in revenue recognized in previous years		(516,538)
Less: prior year encumbrances recognized as current year expenditures		(119,803)
Add: current year encumbrances		-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (modified accrual basis)	$	(250,478)

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 – General and Special Revenue Fund Types – Budget and Actual – Budgetary Basis 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) adjustments:	$	618,717
Less: net decrease in revenue recognized in previous years		(1,431,867)
Less: prior year encumbrances recognized as current year expenditures		(57)
Add: current year encumbrances		30,050
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (modified accrual basis)	$	(783,157)

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.

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.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick, administration, 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.

Note 2: <u>CASH AND CASH EQUIVALENTS</u>

The Pinelands Commission is governed by the deposit limitations of New Jersey state law. The deposits held at June 30, 2018, and reported at fair value are as follows:

Deposits:		**Amount**
Demand deposits	$	11,454,961
Cash on hand		629
Total deposits	$	11,455,590
Reconciliation of Statement of Comparative Balance Sheets:		
General Fund	$	2,381,416
Special Revenue Funds		9,027,910
Private Purpose Trust Funds		46,264
Total reconciliation of comparative balance sheets	$	11,455,590

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 depositary 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. None of the Commission's funds were at risk at June 30, 2018.

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 \$11,259,828 is deposited with the Fund as of June 30, 2018; the Commission had \$195,133 in the operating account and \$629 in petty cash. 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, 2018:

	*Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Furniture/Equipment	$ 1,157,658	$ 21,923	$ 47,139	$ 1,132,442
Vehicles	110,720	-	-	110,720
Total	$ 1,268,378	$ 21,923	$ 47,139	$ 1,243,162

*Beginning Balance for Furniture/Equipment was restated by $5,020 to reflect prior period adjustment to Fixed Assets - Furniture/Equipment.

Note 4: LEASES

Lease Obligations – At June 30, 2018, 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:

Fiscal Year	Amount
2019	$1,218

Rental payments under the operating lease for the fiscal year ended June 30, 2018 were $6,499.

Note 5: RETIREMENT SYSTEM

All required employees of the Commission are covered by the Public Employees' Retirement System (PERS), which has been established by state statute and is administered by the New Jersey Division of Pensions 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 financial statements and required supplementary information. That 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.nj.gov/treasury/pensions/gasb-notices.shtml

General Information about the Pension Plan

Description of Retirement Plan

PERS – is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS 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 pension fund or local jurisdiction's pension fund.

Vesting and Benefit Provisions

PERS – The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of 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 are 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 are 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.

Contributions

PERS – 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 seven years beginning in July 2012.

The member contribution rate was 7.36% in state fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent state fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Commission’s contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Commission’s contractually required contribution rate for the fiscal year ended June 30, 2018 was 13.53% of the Commission’s covered 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.

Based on the most recent PERS measurement date of June 30, 2017, the Commission’s contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was $394,615, and was paid by March 29, 2019. The Commission’s contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was $359,000 and was paid by March 28, 2018. Commission employee contributions to the pension plan during the fiscal year ended June 30, 2018 were $213,943.

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

PERS – At June 30, 2018, the Commission’s proportionate share of the net pension liability was $9,020,949. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. 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, 2017 measurement date, the Commission’s proportion was .0387524433%, which was a decrease of .0005944297% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Commission's proportionate share of the pension expense was $619,747. This pension expense was based on the pension plan's June 30, 2017 measurement date. 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, 2018 the Commission's contribution to PERS was $359,000 and was paid by March 28, 2018.

At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 212,412	$ -
Changes of assumptions	1,817,410	1,810,747
Net difference between projected and actual earnings on pension plan investments	61,427	-
Changes in proportion	191,880	302,622
Commission contributions subsequent to the measurement date	394,615	-
	$ 2,677,744	$ 2,113,369

The amount of $394,615, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2019	$ 181,444
2020	289,541
2021	163,536
2022	(265,170)
2023	(199,591)
	$ 169,760

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
Changes in proportion		
Year of pension plan deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Actuarial Assumptions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	PERS
Inflation	2.25%
Salary increases:	
FY 2016 to 2026	1.65% - 4.15% Based on Age
FY 2026 and thereafter	2.65% - 5.15% Based on Age
Investment rate of return	7.00%
Mortality rate table	RP-2000
Period of actuarial experience Study upon which actuarial Assumptions were based	July 1, 2011 - June 30, 2014

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Pre-Retirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries.

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

	PERS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 for PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. 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 2040.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

PERS – The following presents the Commission's proportionate share of the net pension liability at June 30, 2017, the plan's measurement date, calculated using a discount rate of 5.00%, 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:

	PERS		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Commission's proportionate share of the net pension liability	$ 11,191,100	$ 9,020,949	$ 7,212,945

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS, and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at the following link. www.nj.gov/treasury/pensions.

Supplementary Pension Information

In accordance with GASB 68, the following information is 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 the information is available.

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

	Measurement Date Ending June 30,				
	2017	**2016**	**2015**	**2014**	**2013**
Commission's proportion of the net pension liability	0.0387524433%	0.0393468730%	0.0385232928%	0.0406718663%	0.0394699485%
Commission's proportionate share of the net pension liability	$ 9,020,949	$ 11,653,415	$ 8,647,707	$ 7,614,886	$ 7,543,491
Commission's covered payroll (plan measurement period)	2,713,988	2,706,800	2,739,132	2,796,096	2,698,088
Commission's proportionate share of the net pension liability as a percentage of covered payroll	332.39%	430.52%	315.71%	272.34%	279.59%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

	Fiscal Year Ended June 30,				
	2018	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 394,615	$ 359,000	$ 349,552	$ 331,197	$ 335,293
Contributions in relation to the contractually required contribution	(394,615)	(359,000)	(349,552)	(331,197)	(331,197)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ 4,096
Commission's covered payroll (fiscal year)	$ 2,915,910	$ 2,692,751	$ 2,707,759	$ 2,697,688	$ 2,697,688
Contributions as a percentage of commission's covered payroll	13.53%	13.33%	12.91%	12.28%	12.43%

Other Notes to Supplementary Pension Information

Changes in Benefit Terms – None

Changes in Assumptions – For 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.00%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study, and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary was assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2016, the discount rate changed to 3.98%. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at $118,500 for 2016, increasing 4.00% per annum, compounded annually, and the

Internal Revenue Code Section 401(a)(17) pay limit was set at $265,000 for 2016, increasing 3.00% per annum, compounded annually. For 2015, the discount rate was 4.90%.

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 which receives a credit from the state. 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

Fiscal Year	Premium	Cost to Commission	Employee Contributions	Credit from State
2018	$ 806,293	$ 135,627	$ 154,447	$ 516,219
2017	798,708	152,158	134,323	512,227
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	377,925

Note 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided – The Commission contributes to the State Health Benefits Local Government Retired Employees Plan (plan), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the State of New Jersey. It covers employees of local government employers that have adopted a resolution to participate in the plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB 75); therefore, assets are accumulated to pay associated benefits. For additional information about the plan, please refer to the State of New Jersey (state), Division of Pensions and Benefits' (division)

Comprehensive Annual Financial Report (CAFR), which can be found at the following link. https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

The plan provides medical and prescription drug coverage to retirees and their covered dependents. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

Contributions – The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from participating local employers, and retired members.

The Commission was billed monthly by the plan and has expended $284,092 for the fiscal ended June 30, 2018, representing 9.74% of the Commission's covered payroll. The Commission has recognized revenue in the amount of $170,781 for a credit from the State of New Jersey to cover retiree health benefits; however this credit has no effect on the calculations in the plan. At June 30, 2018, there were no retirees required to pay a percentage of the cost of their health care coverage.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability – At June 30, 2018 the Commission's proportionate share of the net OPEB liability was $11,091,694. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The Commission's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. For the June 30, 2017 measurement date, the Commission's proportion was .054329% which was a decrease of .001496% from its proportion measured as of the June 30, 2016 measurement date.

OPEB Expense – At June 30, 2018, the Commission's proportionate share of the OPEB expense, calculated by the plan as of June 30, 2017 measurement date is $717,850. This expense is not recognized by the Commission because of the basis of the accounting as described in Note 1; however, as previously mentioned, for the fiscal year ended June 30, 2018, the Commission made contributions to the plan totaling $284,092.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Commission had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	1,231,084
Net difference between projected and actual earnings on OPEB plan investments	1,901	-
Changes in proportion	-	284,484
Changes in contributions subsequent to the measurement date	284,092	-
Total	$ 285,993	$ 1,515,568

The amount of $284,092, included in deferred outflows of resources, resulting from the Commission's contributions subsequent to the measurement date, will be included as a reduction of the Commission's net OPEB liability in the fiscal year ending June 30, 2019.

The Commission will amortize the other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	-	8.04
Net difference between projected and actual earnings on OPEB plan investments	5.00	-
Changes in proportion	8.04	8.04

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

Fiscal Year Ending June 30,	Amount
2019	$ (214,805)
2020	(214,805)
2021	(214,805)
2022	(214,805)
2023	(215,280)
Thereafter	(439,167)
Total	$ (1,513,667)

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total OPEB liability as of June 30, 2016, was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	Actuarial Assumptions
Inflation	2.50%
* Salary increases:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

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

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plan's experience study for which the members are eligible for coverage under this plan, the Public Employees' Retirement System (PERS). The PERS experience study was prepared for the period July 1, 2011 to June 30, 2014.

Discount Rate – The discount rate used to measure the OPEB liability at June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the state. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Health Care Trend Assumptions – For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The net OPEB liability as of June 30, 2017, the plans measurement date, for the Commission, calculated using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Commission's proportionate share of the net OPEB liability	$ 13,082,984	$ 11,091,694	$ 9,511,639

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate – The following presents the Commission's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the healthcare trend rate as well as using a healthcare trend rate that is 1% lower or 1% higher than the current healthcare trend rate:

	1% Decrease	Healthcare Trend Rate	1% Increase
Commission's proportionate share of the net OPEB liability	$ 9,217,522	$ 11,091,694	$ 13,532,084

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the plan's respective fiduciary net position have been determined on the same basis as they are reported by the plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the plan, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at the following link. https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Supplementary OPEB Information

In accordance with GASB 75, the following information is also presented for the State Health Benefits Local Government Retired Employees 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 OPEB Liability (Last 2 Years)

	Measurement Date Ended June 30,	
	2017	**2016**
Commission's proportion of the net OPEB liability	0.054329%	0.055825%
Commission's proportionate share of the net OPEB liability	$ 11,091,694	$ 12,123,775
Commission's covered payroll (plan measurement period)	$ 2,692,751	$ 2,707,759
Commission's proportionate share of the net OPEB liability as a percentage of covered payroll	411.91%	447.74%
Plan fiduciary net position as a percentage of the Total OPEB liability	1.03%	0.69%

Schedule of the Commission's Contributions (Last 2 Years)

	Fiscal Year Ended June 30,	
	2018	**2017**
Commission's required contributions	$ 284,092	$ 305,161
Commission's contributions in relation to the required contribution	(284,092)	(305,161)
Commission's contribution deficiency (excess)	$ -	$ -
Commission's covered payroll (fiscal year)	$ 2,915,910	$ 2,692,751
Commission's proportionate share of the net OPEB liability as a percentage of covered payroll	9.74%	11.33%

Other Notes to Supplementary OPEB Information

Changes in Benefit Terms – None

Changes in Assumptions – The increase in the OPEB liability from June 30, 2015 to June 30, 2016 is due to the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the OPEB liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

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 an umbrella policy and commercial insurance coverage for property, general liability, commercial auto, and worker's compensation.

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 Compensation 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	Annual Reimbursement	Funding Balance *
2018	$ 6,334	$ 872	$ 14,302
2017	4,375	12,050	8,566
2016	4,133	-	16,168
2015	5,602	-	12,016
2014	4,037	-	6,408

* Includes annual interest income

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. 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 $35,271 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, 2018, the estimated long-term liability for compensated absences was $351,517. Net long-term debt as of June 30, 2018 is as follows:

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018	Due Within One Year
Compensated absences payable	$ 33,026	$ 2,245	$ -	$ 35,271	$ 35,271
Estimated compensated absences payable	308,684	42,833	-	351,517	-
Total	$ 341,710	$ 45,078	$ -	$ 386,788	$ 35,271

Note 10: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 362,505	$ -
Special Revenue Funds	-	352,854
Private Purpose Trust Funds	-	9,651
Total	$ 362,505	$ 362,505

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 2019, 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 Statement 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 government 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 or the Board of Commissioners.
- Unassigned – includes balance within the General Fund that has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Specific reservations 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, $14,301.

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, $7,312.

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 the 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, $5,511,140.

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, $13,582.

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, $527,521.

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, $10,984.

Building Improvements – This is a designation of fund balance that the Commission intends to utilize to fund building improvements, $42,381.

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, $27,295.

Other – This represents designations of fund balance that the Commission intends to utilize for various projects, such as educational activities, $5,000.

Investment in General Fixed Assets – This represents the amount invested in fixed assets, $1,243,162

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, 2019, $1,514,230.

Other – This represents designations of fund balance that the Commission intends to utilize for various projects, such as Pinelands poster reprinting and service awards, $14,034.

UNASSIGNED FUND BALANCE:

Unassigned – This represents the portion of fund balance resources available for appropriation, $768,350.

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:

Fiscal Year	Total State Aid Revenues	General Fund Revenues*	Percentage
2018	$ 3,336,000	$ 4,342,260	77%
2017	3,486,000	4,225,149	83%
2016	3,186,000	4,200,943	76%
2015	3,156,000	4,154,901	76%
2014	3,156,000	3,753,832	84%

* Includes transfers from other funds

Other Information

PINELANDS COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grantor/Pass Through Grantor/Program Title	STATE GRANT or GMIS NUMBER	PROGRAM or AWARD AMOUNT	GRANT PERIOD FROM	GRANT PERIOD TO	ACCOUNTS RECEIVABLE 6/30/17	DEFERRED REVENUE 6/30/17	CASH/CREDIT RECEIVED	EXPENDITURES	ACCOUNTS RECEIVABLE 6/30/18	DEFERRED REVENUE 6/30/18
Department of Environmental Protection										
State Aid	100-042-4800-082	$ 2,649,000	7/1/2017	6/30/2018	$ -	$ -	$ 2,649,000	$ 2,649,000	$ -	$ -
Pinelands Development Credit Purchases	100-042-4800-324	$ 13,000,000	7/1/1999	Completion	-	1,759,199	-	-	-	1,759,199
Credit from State - Fringe Benefits	not applicable	$ 687,000	7/1/2017	6/30/2018	-	-	687,000	687,000	-	-
Total State Assistance					$ -	$ 1,759,199	$ 3,336,000	$ 3,336,000	$ -	$ 1,759,199

See Report and Notes to Schedules 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, 2018

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 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, 2018

New Jersey State Legislature

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Assistant State Auditor

THOMAS TROUTMAN
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 Philip D. Murphy
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
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, 2018, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2019.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 6, 2019

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, 2018

New Jersey State Legislature

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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 Philip D. Murphy
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Craig J. Coughlin
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, 2018. 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, 2018.

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. Given these limitations, during our audit 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, 2018, and have issued our report thereon dated September 6, 2019, 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 6, 2019

PINELANDS COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2018

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?	___ Yes	✓ No
Significant deficiency(ies) identified?	___ Yes	✓ None Reported
Noncompliance material to financial statements noted?	___ Yes	✓ No

Federal Awards Section

Federal Awards Section is not applicable; The Pinelands Commission did not meet the $750,000 threshold for federal single audit.

State Awards Section

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	✓ No
Significant deficiency(ies) identified?	___ Yes	✓ 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	___ Yes	✓ No

PINELANDS COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results (continued):

Identification of major programs:

State Program Number	Name of State Program
100-042-4800-082	State of New Jersey Appropriation
Not applicable	Credit from State - Fringe Benefits

Section II – Schedule of Financial Statement Findings

No compliance or internal control over financial reporting findings were noted that are required to be reported under *Government Auditing Standards*.

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, 2018

Finding No.	Condition	Status

None.