

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

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**Pinelands Commission**

Fiscal Year 2008

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LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN  
JOSEPH J. ROBERTS, JR.  
*Chairman*

SENATOR  
THOMAS H. KEAN, JR.  
*Vice-Chairman*

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GENERAL ASSEMBLY

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ALISON LITTELL MCHOSE  
JOAN M. QUIGLEY  
BONNIE WATSON COLEMAN



# New Jersey State Legislature

## OFFICE OF LEGISLATIVE SERVICES

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The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our audit report of the Pinelands Commission for the fiscal year ended June 30, 2008. The audit was performed and this report is submitted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes. If you would like a personal briefing, please call me at (609) 292-3700.

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

Stephen M. Eells  
Assistant State Auditor  
July 14, 2009

**PINELANDS COMMISSION  
TABLE OF CONTENTS**

Independent Auditor's Report .....	1
Financial Statements	
Combined Balance Sheet, All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental and Fiduciary Fund Types.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances, General and Special Revenue Fund Types, Budget and Actual - Budgetary Basis.....	5
Notes to the Financial Statements.....	6
Supplementary Information	
Schedule of Expenditures of State Financial Assistance.....	15
Notes to the Schedule of Expenditures of State Financial Assistance	16
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> .....	18
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with New Jersey Department of the Treasury Circular Letter 04-04-OMB.....	21
Schedule of Findings and Questioned Costs.....	24
Summary Schedule of Prior Audit Findings and Questioned Costs.....	25

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### INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the Pinelands Commission as listed in the accompanying table of contents as of and for the year ended June 30, 2008. These financial statements are the responsibility of management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pinelands Commission as of June 30, 2008, and the changes in financial position and budgetary comparisons for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the New Jersey Department of the Treasury Circular Letter 04-04-OMB, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Stephen M. Eells  
Assistant State Auditor  
May 8, 2009

PINELANDS COMMISSION  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL
	GENERAL FUND	SPECIAL REVENUE FUNDS	PURPOSE TRUST FUNDS	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(Memorandum Only)
<b>ASSETS</b>						
Cash & Cash Equivalents	\$2,896,869	\$23,893,623	\$94,658			\$26,885,150
Receivables:						
State	58,160					58,160
Federal	200,329					200,329
Other	7,561					7,561
Prepaid Expenses	136					136
General Fixed Assets:						
Furniture & Equipment				\$1,299,924		1,299,924
Vehicles				110,594		110,594
Amount to be Provided for Retirement of Long-Term Liabilities					\$374,376	374,376
Due from Other Funds	178,866		1,752			180,618
<b>Total Assets</b>	<b>\$3,341,921</b>	<b>\$23,893,623</b>	<b>\$96,410</b>	<b>\$1,410,518</b>	<b>\$374,376</b>	<b>\$29,116,848</b>
<b>LIABILITIES &amp; FUND EQUITY</b>						
Liabilities:						
Accounts Payable	\$148,505	\$325				\$ 148,830
Salaries Payable	171,287					171,287
Payroll Deductions Payable	67,073					67,073
Liabilities for Compensated Absences	55,521				\$374,376	429,897
Deferred Revenue:						
Other	128,523	5,310,112				5,438,635
State Financial Assistance		3,158,360				3,158,360
Due to Other Funds	1,752	178,866				180,618
<b>Total Liabilities</b>	<b>572,661</b>	<b>8,647,663</b>	<b>\$0</b>	<b>\$0</b>	<b>374,376</b>	<b>9,594,700</b>
Fund Equity:						
Investment in General Fixed Assets				1,410,518		1,410,518
Fund Balances - Reserved for:						
Encumbrances	97,062					97,062
Wastewater Facility - Hammonton		18,750				18,750
Unemployment Compensation			78,904			78,904
Timber Rattlesnake Study	13,385					13,385
Rattlesnake Fencing	20,958					20,958
Pineland Conservation Fund		14,076,759				14,076,759
Fund Balances - Unreserved, Designated for:						
Retirees' Health Benefits	774,475					774,475
Microfilming Project	71,066					71,066
Parcel Data	3,825					3,825
Building Improvements	42,381					42,381
Vehicular Replacements	12,891					12,891
Computer Replacements	230,100					230,100
Other	20,836					20,836
Fund Balances - Undesignated	1,482,281	1,150,451	17,506			2,650,238
<b>Total Fund Equity</b>	<b>2,769,260</b>	<b>15,245,960</b>	<b>96,410</b>	<b>1,410,518</b>	<b>0</b>	<b>19,522,148</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$3,341,921</b>	<b>\$23,893,623</b>	<b>\$96,410</b>	<b>\$1,410,518</b>	<b>\$374,376</b>	<b>\$29,116,848</b>

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, 2008

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	
	GENERAL FUND	SPECIAL REVENUE FUNDS	PRIVATE PURPOSE TRUST FUNDS	TOTAL (Memorandum Only)
REVENUES				
State of New Jersey Appropriations	\$3,248,000			\$3,248,000
State of New Jersey Supplemental Appropriations	111,650			111,650
Federal Grants	345,413			345,413
State Grants	74,679	\$765,957		840,636
Other Grants	53,934	75,000		128,934
Interest Income	119,257	772,288	\$3,596	895,141
Unemployment Deductions			4,856	4,856
Application Fees	595,884			595,884
Other	26,907	639	506	28,052
Total Revenues	4,575,724	1,613,884	8,958	6,198,566
EXPENDITURES				
Current:				
Personnel	4,023,126	423,536		4,446,662
Supplies	114,242	2,818		117,060
Services	408,578	673,816		1,082,394
Maintenance & Rent	29,977	743		30,720
State Aid & Grants				
Capital Outlay	84,526			84,526
Land Acquisition		309,500		309,500
Unemployment Compensation Claims			100	100
Total Expenditures	4,660,449	1,410,413	100	6,070,962
Excess(Deficiency) of Revenues Over Expenditures	(84,725)	203,471	8,858	127,604
Other Financing Sources(Uses):				
Operating Transfers Out		(130,328)		(130,328)
Operating Transfers In	130,328			130,328
Total Other Financing Sources(Uses)	130,328	(130,328)		0
Excess(Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	45,603	73,143	8,858	127,604
Fund Balance - Beginning of the Year	2,723,657	15,172,817	87,552	17,984,026
Fund Balance - End of the Year	\$2,769,260	\$15,245,960	\$96,410	\$18,111,630

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, 2008

	GENERAL FUND				SPECIAL REVENUE FUNDS		
	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ADOPTED & FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>							
State of New Jersey Appropriations	\$ 3,248,000	\$ 3,248,000	\$ 3,248,000	\$0			
State of New Jersey Supplemental Appropriations	112,225	112,225	111,650	(575)			
Federal Grants	570,075	544,275	345,412	(198,863)			
State Grants	133,900	133,900	74,679	(59,221)	\$785,170	\$765,957	(\$19,213)
Other Grants	117,500	58,850	53,934	(4,916)	40,000	36,250	(3,750)
Interest Income	132,000	143,000	119,258	(23,742)	1,193,000	772,288	(420,712)
Snake Sanctuary Settlement	0	0	3,789	3,789	0	75,000	75,000
Application Fees	550,000	500,000	595,884	95,884			
Buildings, Microfilm, Vehicles & Parcel Data Reserves	14,900	44,050	31,740	(12,310)			
Land Acquisition - CMCMUA Reserve					625,000	258,395	(366,605)
Pinelands Conservation Activities Reserves					2,524,200	358,707	(2,165,493)
Other	12,900	23,700	26,907	3,207	0	639	639
<b>Total Revenues</b>	<b>4,891,500</b>	<b>4,808,000</b>	<b>4,611,253</b>	<b>(196,747)</b>	<b>5,167,370</b>	<b>2,267,236</b>	<b>(2,900,134)</b>
<b>EXPENDITURES</b>							
Current:							
Personnel	4,051,200	3,960,150	4,023,126	(62,976)	394,350	423,536	(29,186)
Supplies	131,550	130,100	114,552	15,548	2,800	2,818	(18)
Services	717,200	730,050	379,895	350,155	982,220	673,817	308,403
Maintenance & Rent	34,750	34,750	28,166	6,584	0	743	(743)
State Aid & Grants					150,000	0	150,000
Capital Outlay	94,800	134,550	104,875	29,675			
Land Acquisition					3,500,000	309,500	3,190,500
<b>Total Expenditures</b>	<b>5,029,500</b>	<b>4,989,600</b>	<b>4,650,614</b>	<b>338,886</b>	<b>5,029,370</b>	<b>1,410,414</b>	<b>3,618,956</b>
Other Financing Sources(Uses):							
Operating Transfers Out					(138,000)	(130,328)	7,672
Operating Transfers In	138,000	145,000	130,328	(14,672)			
<b>Total Other Financing Sources(Uses)</b>	<b>138,000</b>	<b>145,000</b>	<b>130,328</b>	<b>(14,672)</b>	<b>(138,000)</b>	<b>(130,328)</b>	<b>7,672</b>
<b>Net Increase(Decrease) in Fund Balances</b>	<b>\$0</b>	<b>(\$36,600)</b>	<b>\$90,967</b>	<b>\$127,567</b>	<b>\$0</b>	<b>\$726,494</b>	<b>\$726,494</b>

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, 2008**

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**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, 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 four special revenue funds:

**Land Acquisition Fund** - This fund is used to account for assessments collected from the Cape May County Municipal Utilities Authority and per agreement is restricted in use for the acquisition of conservation and recreation lands in the Pinelands National Reserve.

**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 Aquifer 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 for preservation of land and designated other portions to be used as an 'endowment' for conservation, planning/research, and community planning/design. The intention of the Commission is to use the proceeds of the endowments to fund or partly fund relevant activities of the Commission without invading the principal amount.

## 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 noncurrent 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 noncurrent 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 designations/reserves of fund balance, whereas the modified accrual basis does not. Sufficient supplemental records are maintained to allow for the presentation of modified accrual 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 Funds 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 and Fiduciary Fund Types (in thousands).

Net Increase(Decrease) in Fund Balances for the Year (Budgetary Basis)	\$91.0
Adjustments:	
Less: Prior year encumbrances recognized as current year expenditures	(101.7)
Less: Net decrease in revenue recognized in previous years	(35.5)
Add: Current year encumbrances payable	91.8
Excess(Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses (Modified Accrual Basis)	<u>\$45.6</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 (in thousands).

Net Increase(Decrease) in Fund Balances for the Year (Budgetary Basis)	\$ 726.5
Adjustments:	
Less: Net decrease in designation due to revenue previously claimed	<u>(653.4)</u>
Excess(Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses (Modified Accrual Basis)	<u>\$ 73.1</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 State of New Jersey Cash Management Fund administered by the New Jersey Department of the Treasury, Division of Investments, 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, 2008.

**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. 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 and sick leave. 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 represents monies owed from or to other funds. The General Fund disburses all the funds for expenditures incurred by all other funds, 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 Equity** - Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**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: PRIOR PERIOD RESTATEMENT**

There was no prior period restatement during this accounting period.

**Note 3: CASH AND CASH EQUIVALENTS**

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, 2008 the Commission's two bank balances amounted to \$101,383.90. Of this balance, none 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 \$26.8 million is deposited with the Fund as of June 30, 2008. 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, New Jersey 08625-0290.

**Note 4: FIXED ASSETS**

The following schedule is a summarization of general fixed assets by source as of June 30, 2008:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Furniture & Equipment	\$1,309,472	\$37,200	\$46,748	\$1,299,924
Vehicles	110,594	0	0	110,594
Total	<u>\$1,420,066</u>	<u>\$37,200</u>	<u>\$46,748</u>	<u>\$1,410,518</u>

**Note 5: LEASES**

**Lease Obligations** - At June 30, 2008, the Commission had operating lease agreements in effect for five copy machines. Future minimum rental payments under operating lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$3,762

Rental payments under operating leases for the fiscal year ended June 30, 2008 were \$11,157. It is anticipated that new lease agreements will be entered into upon expiration of the current lease agreements which will end in fiscal year 2009.

**Note 6: RETIREMENT SYSTEM**

The Commission contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. The plan has a Board of Trustees that is primarily responsible for its administration. 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

The contribution requirements of plan members are determined by State statute. In accordance P.L. 1994, Chapter 62, as amended by P.L. 2007, Chapter 103, plan members enrolled in the Public Employees' Retirement System are required to contribute 5.5% of their annual covered salary. Employer contributions to the plan are determined actuarially and are billed by the plan administrator. The Commission's contributions to the plan, equal to the required contributions, were as follows:

<u>Fiscal Year</u>	<u>PERS</u>
2008	\$244,476 (48,895*)
2007	\$177,514 (71,006*)
2006	\$130,208 (78,125*)
2005	\$101,925 (81,539*)

\*Funded by the Pension Security Act Credit

**Note 7: POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 6, the Commission provides post-retirement health care benefits, in accordance with State statutes, to all employees who retire from the Commission after accumulating 25 years of credited service. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the fiscal year ended June 30, 2008, expenditures of \$76,277 were recognized for post-retirement health care. The Commission has designated a portion of unreserved fund balance (see Note 10) 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:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Funding Balance*</u>
2008	\$4,854.67	\$99.69	\$78,903.59
2007	\$4,916.53	\$0.00	\$71,225.76
2006	\$4,993.53	\$1,974.00	\$62,981.97
2005	\$4,823.56	\$2,805.00	\$57,627.97
2004	\$1,345.55	\$393.96	\$54,472.29

\*Includes annual interest income

## Note 9: COMPENSATED ABSENCES

The Commission's policy states that employees are entitled, upon termination, to the current year's 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 \$55,521 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, 2008 the estimated long-term liability for compensated absences was \$374,376.

## Note 10: FUND BALANCE

### RESERVED

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

**Reserved for 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.

**Reserved for Land Acquisition - CMCMUA** - This reserve is used to account for assessments collected from the Cape May County Municipal Utilities Authority (CMCMUA) and per agreement are restricted in use for the acquisition of conservation and recreation lands in the Pinelands National Reserve.

**Reserved for Wastewater Facility - Hammonton** - This reserve was established with funds provided by Hammonton Township and used to partially finance research activities related to improving the Hammonton land application facility for sewage plant effluent.

**Reserved for Unemployment Compensation** - This reserve was established with funds contributed by employees and used to reimburse the State for benefits paid.

**Reserved for 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.

**Reserved for Rattlesnake Fencing** - This reserve was created to account for funds restricted for possible future fencing necessitated by the above rattlesnake study.

**Reserved for 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.

#### UNRESERVED

**Designated for Retirees' Health Benefits** - This is a designation of fund balance that the Commission intends to utilize to fund future retirees' health benefits.

**Designated for 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.

**Designated for Parcel Data** - This is a designation of fund balance that the Commission intends to utilize for the creation and maintenance of parcel data in a geographical imaging system.

**Designated for Building Improvements** - This is a designation of fund balance that the Commission intends to utilize to fund building improvements.

**Designated for Vehicle Replacements** - This is a designation of fund balance that the Commission intends to use to replace existing Commission motor vehicles.

**Designated for Computer Replacements** - This is a designation of fund balance that the Commission intends to use to replace obsolete computer hardware and software.

**Designated - Other** - This represents designations of fund balance that the Commission intends to utilize for various projects, such as Pinelands poster reprinting and conformance activities.

**Undesignated** - Used to represent that portion of fund balance resources available for appropriation.

**Note 11: CONCENTRATION OF CREDIT RISK**

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</u> <u>Year</u>	<u>Total</u> <u>State Aid</u> <u>Revenues</u>	<u>General</u> <u>Fund</u> <u>Revenues*</u>	<u>Percentage</u>
2008	\$3,359,650	\$4,706,052	71
2007	\$3,248,000	\$4,908,330	66
2006	\$3,104,000	\$4,817,711	64
2005	\$3,104,000	\$4,487,284	69

\*Includes transfers from other funds



## Supplementary Information

PINELANDS COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Grantor/Pass Through

<u>Grantor/Program Title</u>	<u>State Grant or GMS Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Accounts Receivable 6/30/2007</u>	<u>Deferred Revenue 6/30/2007</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>Accounts Receivable 6/30/2008</u>	<u>Deferred Revenue 6/30/2008</u>
			<u>From</u>	<u>To</u>						
Department of Environmental Protection										
New Jersey State Appropriation Act										
State Aid	100-042-4800-082	\$3,248,000	7/1/2007	6/30/2008			\$3,248,000	\$3,248,000		
Supplemental State Aid	100-042-4800-082	\$112,225	7/1/2007	6/30/2008			111,650	111,650		
Pinelands Development Credit Purchases	100-042-4800-324	\$13,000,000	7/1/1999	Completion		\$1,759,200				\$1,759,200
Water Supply Fund										
Kirkwood-Cohansey Aquifer Assessment	100-042-4840-077	\$5,500,000	1/1/2002	Completion		2,165,117		765,957		1,399,160
Division of Watershed Management										
Watershed Protection Fund (CBT)										
Wastewater Management	100-042-4850-089	\$490,000	9/1/2001	11/30/2008	\$17,102		33,621	62,954	\$46,435	
Total Department of Environmental Protection					17,102	3,924,317	3,393,271	4,188,561	46,435	3,158,360
Department of Banking and Insurance										
PDC Bank Program - Services	100-014-3180-004-3890	\$7,600	7/1/2006	6/30/2007	7,088		7,088			
PDC Bank Program - Services	100-014-3180-004-3890	\$7,600	7/1/2007	6/30/2008				7,014	7,014	
Total Department of Banking and Insurance					7,088		7,088	7,014	7,014	
Department of Transportation										
FHWA National Scenic Byway										
Discretionary Grant (State portion)	93-480-078-6300-A78-7310	\$25,000	8/7/2007	12/31/2009				4,711	4,711	
Total Department of Transportation								4,711	4,711	
Total State Assistance					\$24,190	\$3,924,317	\$3,400,359	\$4,200,286	\$58,160	\$3,158,360

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, 2008**

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**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, as well as state financial assistance passed through other government agencies, are 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 financial statements.

**Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS**

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

**Note 4: 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, 2008**

LEGISLATIVE SERVICES COMMISSION

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JOSEPH J. ROBERTS, JR.  
*Chairman*

SENATOR  
THOMAS H. KEAN, JR.  
*Vice-Chairman*

SENATE

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RICHARD J. CODEY  
NIA H. GILL  
ROBERT M. GORDON  
SEAN T. KEAN  
JOSEPH M. KYRILLOS, JR.  
LORETTA WEINBERG

GENERAL ASSEMBLY

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JOHN J. BURZICHELLI  
ALEX DECROCE  
ALISON LITTELL MCHOSE  
JOAN M. QUIGLEY  
BONNIE WATSON COLEMAN



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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*Assistant State Auditor*

THOMAS R. MISEROLI  
*Assistant State Auditor*

The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

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

We have audited the financial statements of the Pinelands Commission as of and for the year ended June 30, 2008 and have issued our report thereon dated May 8, 2009. 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. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Pinelands Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pineland Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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*.

This report is intended solely for the information and use of the management of the Pinelands Commission, the State of New Jersey, the Legislature, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Stephen M. Eells  
Assistant State Auditor  
May 8, 2009

**Pinelands Commission**

**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal  
Control over Compliance in Accordance with  
New Jersey Department of the Treasury  
Circular Letter 04-04-OMB**

**For the Fiscal Year Ended  
June 30, 2008**

LEGISLATIVE SERVICES COMMISSION

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Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
NEW JERSEY DEPARTMENT OF THE TREASURY  
CIRCULAR LETTER 04-04-OMB

Compliance

We have audited the compliance of the Pinelands Commission with the types of compliance requirements described in the New Jersey Grant Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Pinelands Commission's management. Our responsibility is to express an opinion on the Pinelands Commission's compliance based on our audit.



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 the New Jersey Department of the Treasury Circular Letter 04-04-OMB. These standards and Treasury Circular Letter 04-04-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. Our audit does not provide a legal determination of the Pinelands Commission's compliance with those requirements.

In our opinion, the Pinelands Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

#### Internal Control over Compliance

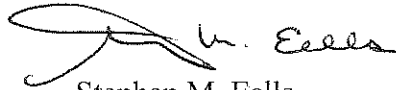
The management of the Pinelands Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Pinelands Commission's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the Pinelands Commission, the State of New Jersey, the Legislature and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "S. M. Eells", with a stylized flourish at the end.

Stephen M. Eells  
Assistant State Auditor  
May 8, 2009

**PINELANDS COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FISCAL YEAR ENDED JUNE 30, 2008**

**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   √   No

Significant deficiency(ies) identified that are

not considered to be material weaknesses? \_\_\_\_\_ Yes   √   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   √   No

**Federal Awards**

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

**State Awards**

Identification of major programs:

<u>State Program Number</u>	<u>Name of State Program</u>
100-042-4800-082	State of New Jersey Appropriation
100-042-4840-077	Kirkwood-Cohansey Aquifer Assessment

**Part 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*.

**Part 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, 2008**

The Pinelands Commission took steps to comply with our prior year recommendation and we found the steps taken were adequate.