



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

Pinelands Commission

Fiscal Year 2004

**Richard L. Fair
State Auditor**

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
ALBIO SIRES
Chairman

SENATOR
BERNARD F. KENNY, JR.
Vice-Chairman

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BYRON M. BAER
ANTHONY R. BUCCO
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LEONARD LANCE
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

CHRISTOPHER "KIP" BATEMAN
FRANCIS J. BLEE
JOHN J. BURZICHELLI
ALEX DECROCE
GUY R. GREGG
JOSEPH J. ROBERTS, JR.
LORETTA WEINBERG



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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The Honorable Richard J. Codey
Acting Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
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, 2004. The audit was performed and this report is submitted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, 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 cursive script, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
July 18, 2005

**PINELANDS COMMISSION
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INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the State of New Jersey Pinelands Commission as listed in the accompanying table of contents as of and for the year ended June 30, 2004. 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, these financial statements were prepared on a modified accrual basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial statements present only the Pinelands Commission and are not intended to present fairly the financial position and results of operation of the State of New Jersey in conformity with generally accepted accounting principles.

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, 2004 and the results of its operations 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 April 15, 2005 on our consideration of the Pinelands Commission'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 read in conjunction with this report in considering the results of our audit.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State Treasury Circular Letter 04-04-OMB, and are 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.



Richard L. Fair
State Auditor
April 15, 2005

STATE OF NEW JERSEY PINELANDS COMMISSION
 COMBINED BALANCE SHEET
 All Fund Types and Account Groups
 June 30, 2004
 (In Thousands)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	General Fixed Assets	General Long-Term Debt	6/30/2004	6/30/2003
Assets								
Cash and Cash Equivalents	\$1,614.2	\$9,220.9		\$66.9			\$10,902.0	\$12,285.2
Receivables:								
State	43.2						43.2	50.7
Federal	163.9						163.9	245.4
Interfund							0.0	0.0
Other	2.2						2.2	2.6
Prepaid Expenses	0.3						0.3	0.4
General Fixed Assets:								
Furniture and Equipment					\$797.0		797.0	760.1
Vehicles					74.2		74.2	56.0
Building, Land & Improvements					2,456.9		2,456.9	2,432.80
Amount to be Provided for the Retirement of Long-Term Liabilities						\$293.5	293.5	427.9
Due From Other Funds	193.3			0.9			194.2	0.0
Total Assets	\$2,017.1	\$9,220.9	\$0.0	\$67.8	\$3,328.1	\$293.5	\$14,927.4	\$16,261.1
Liabilities & Fund Equity								
Liabilities:								
Accounts Payable	\$197.1	\$25.4		\$(0.4)			\$222.1	\$185.4
Salaries Payable	128.0						128.0	122.9
Payroll Deductions Payable	19.9						19.9	19.1
Interfunds Payable							0.0	0.0
Liability for Compensated Absences	25.1					\$293.5	318.6	469.4
Deferred Revenue:								
Other Grants	162.0						162.0	193.0
State Financial Assistance		7,122.9					7,122.9	8,357.6
RJ Sullivan Center Grants								
Due to Other Funds	0.9	192.9		0.4			194.2	0.0
Total Liabilities	533.0	7,341.2	\$0.0	0.0	\$0.0	293.5	8,167.7	9,347.4
Fund Equity:								
Investment in General Fixed Assets					3,328.1		3,328.1	3,248.9
Fund Balances:								
Reserved for Encumbrances	109.1						109.1	177.1
Reserved for Land Acquisition - CMCMA		1,452.2					1,452.2	1,452.2
Reserved for Unemployment Compensation				54.4			54.4	53
Reserved for Timber Rattlesnake Study	20.9						20.9	39.4
Reserved for Rattlesnake Fencing	18.0						18.0	17.1
Unreserved:								
Designated for Subsequent Years Expenditures	167.3						167.3	315.3
Designated for Retiree's Health Benefits	416.1						416.1	327.6
Designated for Microfilming Project	87.0						87.0	91.8
Designated for Fenwick Manor Improvements	201.5						201.5	250.0
Designated for RJ Sullivan Center Improvements	10.9						10.9	29.6
Designated for Parcel Data	45.0						45.0	45.0
Designated for Building Improvements	0.0						0.0	0.0
Designated - Other	23.5						23.5	23.8
Undesignated	384.8	427.5		13.4			825.7	842.9
Total Fund Equity	1,484.1	1,879.7	0.0	67.8	3,328.1	0.0	6,759.7	6,913.7
Total Liabilities and Fund Equity	\$2,017.1	\$9,220.9	\$0.0	\$67.8	\$3,328.1	\$293.5	\$14,927.4	\$16,261.1

The accompanying notes are an integral part of the Financial Statements

STATE OF NEW JERSEY PINELANDS COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 2004
(In Thousands)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	2004	2003
Revenues						
State of New Jersey Appropriations	\$2,954.0	\$1,016.4			\$3,970.4	\$4,046.0
Federal Grants	318.9				318.9	460.3
State Grants	89.8	218.2			308.0	98.1
Other Grants	123.0				123.0	153.7
Application Fees	100.2				100.2	0.0
CMCMUA Assessment Fees					0.0	343.0
Interest Income	20.9	95.6		\$0.7	117.2	199.8
Snake Sanctuary Settlement					0.0	0.0
Unemployment Deductions				1.3	1.3	1.4
Other	18.6			0.3	18.9	59.3
Total Revenues	3,625.4	1,330.2	\$0.0	2.3	4,957.9	5,361.6
Expenditures						
Current:						
Personnel	3,055.0	155.0			3,210.0	3,309.2
Supplies	81.9	12.3			94.2	74.3
Services	703.9	5.0			708.9	552.4
Maintenance and Rent	60.6	0.6			61.2	57.5
Capital Outlay	53.3	45.3			98.6	68.8
Special Purpose	1.4				1.4	0.6
Purchase of Pinelands Development Credits		1,016.4			1,016.4	1,092.0
Land Acquisition					0.0	559.4
Unemployment Compensation Claims				0.4	0.4	3.5
Total Expenditures	3,956.1	1,234.6	0.0	0.4	5,191.1	5,717.7
Excess (Deficiency) of revenues over expenditures	(330.7)	95.6	0.0	1.9	(233.2)	(356.1)
Other Financing Sources (Uses):						
Operating Transfers Out		(22.3)			(22.3)	(65.1)
Operating Transfers In	22.3				22.3	65.1
Total Other Financing Sources (Uses)	22.3	(22.3)	0.0	0.0	0.0	0.0
Excess (Deficiency) of revenues and other sources over expenditures and other uses	(308.4)	73.3	0.0	1.9	(233.2)	(356.1)
Fund Balance - Beginning of Year	1,792.5	1,806.4	0.0	65.9	3,664.8	4,020.9
Fund Balance - End of Year	\$1,484.1	\$1,879.7	\$0.0	\$67.8	\$3,431.6	\$3,664.8

The accompanying notes are an integral part of the Financial Statements

STATE OF NEW JERSEY 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, 2004
 (In Thousands)

	General Fund				Special Revenue Funds		
	Adopted Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)	Adopted and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues							
State of New Jersey Appropriations	\$2,954.0	\$2,954.0	\$2,954.0	\$0.0	\$2,949.6	\$1,016.4	\$(1,933.2)
Federal Grants	450.0	453.3	318.9	(134.4)			
State Grants	126.0	130.3	89.8	(40.5)	982.5	218.2	(764.3)
Other Grants	125.6	125.6	123.0	(2.6)			
Application Fees	50.0	50.0	100.2	50.2			
Interest Income	36.1	36.1	20.9	(15.2)	95.0	95.6	0.6
CMMUA Assessment Fees							
Snake Sanctuary Settlement	62.0	79.0	23.4	(55.6)			
Other	11.1	11.1	18.6	7.5	875.0	0.0	(875.0)
Total Revenues	3,814.8	3,839.4	3,648.8	(190.6)	4,902.1	1,330.2	(3,571.9)
Expenditures							
Current:							
Personnel	3,271.7	3,135.7	3,143.3	(7.6)	209.5	155.0	54.5
Supplies	93.4	101.8	81.9	19.9	8.3	12.3	(4.0)
Services	693.6	819.6	648.8	170.8	801.9	5.0	796.9
Maintenance and Rent	61.8	76.8	60.6	16.2	2.8	0.6	2.2
Capital Outlay	61.5	114.5	53.3	61.2	30.0	45.3	(15.3)
Special Purpose	1.1	1.1	0.0	1.1			
Aid to Municipalities	4.0	4.0	1.4	2.6			
Purchase of Pinelands Development Credits					2,949.6	1,016.4	1,933.2
Land Acquisition					900.0	0.0	900.0
Total Expenditures	4,187.1	4,253.5	3,989.3	264.2	4,902.1	1,234.6	3,667.5
Other Financing Sources (Uses):							
Operating Transfers In	25.0	25.0	22.3	(2.7)			
Operating Transfers Out					(25.0)	(22.3)	2.7
Total Other Financing Sources (Uses)	25.0	25.0	22.3	(2.7)	(25.0)	(22.3)	2.7
Net Increase (Decrease) in Fund Balances for the Year	\$(347.3)	\$(389.1)	\$(318.2)	\$70.9	\$(25.0)	\$73.3	\$98.3

The accompanying notes are an integral part of the Financial Statements

STATE OF NEW JERSEY PINELANDS COMMISSION
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The New Jersey 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 New Jersey 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, in the financial statements in this report, into four 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.

GOVERNMENTAL FUNDS

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenues, other than expendable trusts or for major capital projects, that are legally restricted to expenditures for specified purposes. The Commission utilizes the following three 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.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the construction of a new office building.

FIDUCIARY FUNDS

Trust Funds - The 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 Expendable Trust Funds, the Unemployment Compensation Insurance Fund and the "Katie" Fund. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Expendable 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 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 fund types, expendable trust funds and agency funds. 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. The budget is 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 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 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, includes all amendments to the adopted budget.

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

Net Increase (Decrease) in Fund Balances for the Year - (Budgetary Basis)	\$(318.2)
Adjustments:	
Less: Snake Sanctuary Monies previously claimed as revenue in FY 2001	(23.4)
Less: Amounts expended for previously budgeted expenditures	(109.1)
Add: Reserve for Encumbrances at June 30, 2004	54.0
Add: Net expenditures for Health Benefits not previously recorded	88.3
Excess (Deficiency) of revenues and other sources over expenditures and other uses (Modified Accrual Basis)	<u>88.3</u> <u>\$(308.4)</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 in governmental funds other than the special revenue fund 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.

Open encumbrances in the special revenue fund for which the Commission has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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, 2004.

Short-Term Interfund Receivables/Payables - Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Commission and that are due within one year.

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. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data - Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Commission's financial position and operations.

Note 2: PRIOR PERIOD RESTATEMENT

There was no prior period restatement during this accounting period.

Note 3: CASH AND CASH EQUIVALENTS

All bank deposits as of the balance sheet date are classified as to credit risk by the following three categories described below:

Category 1

Insured or collateralized with securities held by the Commission or by its agent in the Commission's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Commission's name.

Category 3

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the Commission's name.

As of June 30, 2004, the Commission's deposits are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$83,618.51
2	---
3	---
	<hr/>
	\$83,618.51
	<hr/> <hr/>

New Jersey Cash Management Fund - During the year, the Commission participated 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 Funds' participants. Deposits totaling \$10.8 million with the New Jersey Cash Management Fund are not subject to categorization as defined above.

Note 4: FIXED ASSETS

The following schedule is a summarization of general fixed assets by source as of June 30, 2004:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2004</u>
Furniture & Equipment	\$760,075.25	\$110,220.28	\$73,353.35	\$796,942.18
Vehicles	56,008.40	18,195.00	---	74,203.40
Buildings, Land & Improvements	2,432,816.36	24,096.53	---	2,456,912.89
Total	<u>\$3,248,900.01</u>	<u>\$152,511.81</u>	<u>\$73,353.35</u>	<u>\$3,328,058.47</u>

Note 5: LEASES

Lease Obligations - At June 30, 2004, the Commission had operating lease agreements in effect for two vehicles. Future minimum rental payments under operating lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$13,944.00
2006	10,458.00
2007	---

Rental payments under operating leases for the fiscal year ended June 30, 2004 were \$13,944.00.

Note 6: RETIREMENT SYSTEM

The Commission contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System, 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 with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System are required to contribute 5% of their annual covered salary. Chapter 415, P.L. 1999 provided for a reduction in this rate to 3% for calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. The employee contribution rate was 3% during fiscal year 2004. 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>
2004	\$101,924 (81,539*)
2003	66,878*
2002	20,860*

*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. As of June 30, 2004, two employees have met those eligibility requirements. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the fiscal year ended June 30, 2004, expenditures of \$29,949.05 were recognized for post-retirement health care. The Commission has designated a portion of unreserved fund balance (see Note 10) for the estimated future liability 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 expendable 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>
2004	\$1,345.55	\$393.96	\$54,472.29
2003	1,343.61	3,486.00	52,984.57
2002	1,359.79	2,988.00	54,224.69
2001	1,279.49	2,223.73	55,504.98
2000	1,455.00	5,006.39	56,449.22

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 \$25,123.09 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, 2004, the estimated long-term liability for compensated absences was \$293,541.71.

Note 10: FUND BALANCE

RESERVED

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance 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 - This reserve is used to account for assessments collected from the Cape May County Municipal Utilities Authority and per agreement are restricted in use for the acquisition of conservation and recreation lands in the Pinelands National Reserve.

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.

UNRESERVED

Designated for Subsequent Years Expenditures - This designation of fund balance has been appropriated and included as anticipated revenue for the year ending June 30, 2004.

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 Building Improvements - This is a designation of fund balance that the Commission intends to utilize to fund the construction of a new administration building.

Designated for Fenwick Manor Improvements - This is a designation of fund balance that the Commission intends to utilize for the supporting costs associated with the Fenwick Manor renovations project.

Designated for Richard J. Sullivan Center Improvements - This is a designation of fund balance that the Commission intends to utilize for maintenance and improvements to the Richard J. Sullivan Center.

Designated for Microfilming Project - This is a designation of fund balance that the Commission intends to utilize for the microfilming 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 graphical imaging system.

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: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables as of June 30, 2004

Note 12: 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:

	Total State Aid <u>Revenues</u>	General Fund <u>Revenues</u>	<u>Percentage</u>
FY 2004	\$2,954,000.00	\$3,647,460.00	81.00
FY 2003	2,954,000.00	3,692,278.67	80.00
FY 2002	4,127,000.00	4,970,957.68	83.02

Supplementary Information

STATE OF NEW JERSEY PINELANDS COMMISSION
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number or Identifier	Program or Award Amount	Grant Period		Accounts Receivable 7/1/2003	Cash Received	Adjustments	Expenditures	Accounts Receivable 6/30/2004
				From	To					
U.S. Department of the Interior										
National Park Service										
Long-Term Pinelands Monitoring Program	N/A	CA-4000-9-9023	\$1,577,060.00	7/1/1999	12/31/2004	\$110,221.46	\$204,047.38		\$187,524.41	\$93,698.49
Interpersonnel Agreement	N/A	MT-4501-1-0001	395,386.37	10/9/1999	9/30/2003	24,077.16	54,976.10		30,898.94	
Total U.S. Department of the Interior						134,298.62	259,023.48		218,423.35	93,698.49
U.S Environmental Protection Agency										
Wetlands Protection										
Cranberry Agriculture	66.461	CD992980-01	199,363.00	9/20/1999	12/31/2004	26,616.19	36,669.00	\$9,854.75 A	39,419.02	19,511.46
Littoral Communities - Stream Impoundments	66.461	CD982378-01	138,619.00	10/1/2001	6/30/2005	5,963.40	13,884.00	5,009.23 A	20,036.94	7,107.11
Coastal Plain Pond Communities	66.461	N/A	37,794.00	7/1/2002	12/31/2004	5,603.20	5,603.20		8,696.24	8,696.24
Watershed Program	66.454	N/A	400,000.00	4/1/2000	3/30/2005	56,672.81	85,145.13		45,373.15	16,900.83
Total U.S. Environmental Protection Agency						94,855.60	141,301.33	14,863.98	113,525.35	52,215.64
U.S. Department of Transportation										
Federal Highway Administration										
Passed Through N.J. Department of Transportation										
Highway Planning and Construction	20.205	N/A	194,000.00	8/19/1997	Completion	7,064.96			1,503.43	8,568.39
Highway Planning and Construction	20.205	N/A	974,000.00	8/14/1998	Completion	9,218.55			182.53	9,401.08
Total U.S. Department of Transportation						16,283.51			1,685.96	17,969.47
Total Federal Assistance						\$245,437.73	\$400,324.81	\$14,863.98	\$333,634.66	\$163,883.60

A - 25% local match provided by Pinelands Commission.

See Report and the Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

STATE OF NEW JERSEY PINELANDS COMMISSION
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2004

<u>Grantor/Pass Through</u> <u>Grantor/Program Title</u>	<u>State Grant or</u> <u>GMIS Number</u>	<u>Program or</u> <u>Award</u> <u>Amount</u>	<u>Grant Period</u>		<u>Accounts</u> <u>Receivable</u> <u>(Deferred</u> <u>Revenue)</u> <u>7/1/2003</u>	<u>Cash</u> <u>Received</u>	<u>Adjustments</u>	<u>Expenditures</u>	<u>Accounts</u> <u>Receivable</u> <u>6/30/2004</u>	<u>Deferred</u> <u>Revenue</u> <u>6/30/2004</u>
			<u>From</u>	<u>To</u>						
Department of Environmental Protection										
New Jersey State Appropriation Act										
State Aid	100-042-4800-082	\$2,954,000.00	7/1/2003	6/30/2004		\$2,954,000.00		\$2,954,000.00		
Pinelands Development Credit Purchases	100-042-4800-324	13,000,000.00	7/1/1999	Completion	(\$2,949,599.50)		1,016,400.00			\$1,933,199.50
Water Supply Fund										
Kirkwood-Cohansey Aquifer Assessment	100-042-4840-077	5,500,000.00	1/1/2002	Completion	(5,408,031.82)		218,289.13			5,189,742.69
Division of Watershed Management										
Watershed Protection Fund (CBT)										
Wastewater Management	100-042-4850-099	240,000.00	9/1/2001	2/28/2005	47,793.85	94,387.15	62,834.96	\$16,241.66		
Total Department of Environmental Protection					(8,309,837.47)	3,048,387.15	4,251,524.09	16,241.66	7,122,942.19	
Department of Banking and Insurance										
PDC Bank Program - Services	100-014-3180-004-3890	2,100.00	7/1/2002	6/30/2003	1,591.95	1,591.95				
PDC Bank Program - Services	100-014-3180-004-3890	2,100.00	7/1/2003	6/30/2004			1,550.48	1,550.48		
PDC Bank Program - Tracking	100-014-3180-004-5810	50,250.00	6/1/1999	6/30/2005	1,291.69	1,291.69	\$6,035.21 A	29,002.84	22,967.63	
PDC Bank Program - Staffing	100-014-3180-004	4,200.00	12/16/2003	3/31/2004			2,433.17	2,433.17		
Total Department of Banking and Insurance					2,883.64	2,883.64	6,035.21	32,986.49	26,951.28	
Total					(\$8,306,953.83)	\$3,051,270.79	\$6,035.21	\$4,284,510.58	\$43,192.94	\$7,122,942.19

A - 50% local match provided by Pinelands Commission.

See Report and the Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

STATE OF NEW JERSEY PINELANDS COMMISSION
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2004

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the New Jersey Pinelands Commission. The Commission is defined in Note 1 to the financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1 to the Commission's general-purpose financial statements.

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS

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

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the local match provided by the Pinelands Commission as required by the respective grant agreements or cash from other sources.

Note 6: MAJOR PROGRAMS

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

Office of the State Auditor

**Report on Internal Control Over Financial Reporting and Compliance
And Other Matters Based on Our Audit of the Financial Statements of the
State of New Jersey Pinelands Commission**

**For the Fiscal Year Ended
June 30, 2004**

LEGISLATIVE SERVICES COMMISSION

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ALBIO SIRES
Chairman

SENATOR
BERNARD F. KENNY, JR.
Vice-Chairman

SENATE

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RICHARD J. CODEY
NIA H. GILL
LEONARD LANCE
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

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JOHN J. BURZICHELLI
ALEX DECROCE
GUY R. GREGG
JOSEPH J. ROBERTS, JR.
LORETTA WEINBERG



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

125 SOUTH WARREN STREET

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ALBERT PORRONI

Executive Director

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RICHARD L. FAIR

State Auditor

(609) 292-3700

FAX (609) 633-0834

The Honorable Richard J. Codey
Acting Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

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

We have audited the financial statements of the State of New Jersey Pinelands Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated April 15, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pinelands Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider a material weakness.

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 and other matters that are required to be reported under *Government Auditing Standards*.

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



Richard L. Fair
State Auditor
April 15, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR PROGRAMS AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND STATE 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 U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the New Jersey Grant Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2004. The Pinelands Commission's major federal and 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 federal and 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State Treasury Circular Letter 04-04-OMB. Those standards, OMB Circular A-133 and State 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 federal or 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 on the Pinelands Commission's compliance with those requirements.

In our opinion, the Pinelands Commission complied, in all material respects, with those requirements referred to above that are applicable to its major federal and state programs for the year ended June 30, 2004.

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 federal and state programs. In planning and performing our audit, we considered the Pinelands Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal and state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Richard L. Fair
State Auditor
April 15, 2005

State of New Jersey Pinelands Commission
Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2004

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:		<u>Yes</u>	<u>No</u>
Material weakness(es) identified?			✓
Reportable condition(s) identified not considered to be material weaknesses?			✓
Noncompliance material to financial statements noted?			✓

Federal Awards Section

Dollar threshold used to distinguish Type A and Type B programs:	\$500, 000		
Auditee qualified as low-risk auditee?		✓	
Internal control over major programs:			
Material weakness(es) identified?			✓
Reportable condition(s) identified not considered to be material weaknesses?			✓
Type of auditors' report on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or State Treasury Circular Letter 04-04-OMB?			✓
Identification of major programs:			
Type - A High Risk Programs	None		
Type - B High Risk Programs	None		
Major programs identified?			✓
Major Programs Tested:			
US Department of the Interior National Park Service Long-Term Pinelands Monitoring Program	CA-4000- 9-9023		

State of New Jersey Pinelands Commission

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2004

State Awards Section

Identification of major programs:

State Program Number:	Name of State Program or Cluster
100-042-4800-082	State of New Jersey Appropriation
100-042-4800-324	Pinelands Development Credit Purchases

State of New Jersey Pinelands Commission

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2004

Part II - Schedule of Financial Statement Findings

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

State of New Jersey Pinelands Commission

Schedule of Findings and Questioned Costs

Fiscal Year Ended June 30, 2004

Part III - Schedule of Federal and State Awards Findings and Questioned Costs

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

State of New Jersey Pinelands Commission

Summary Schedule of Prior Audit Findings and Questioned Costs

Fiscal Year Ended June 30, 2004

A single audit was performed for fiscal year ended June 30, 2003 and was dated March 31, 2004. The audit disclosed no findings or questioned costs for the audit period.