

**MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)**

Financial Statements

December 31, 2013

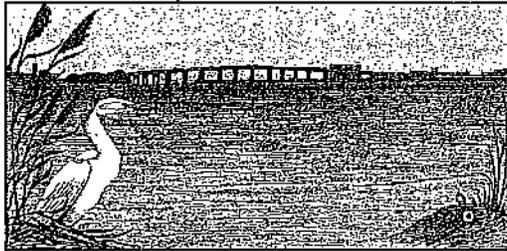
MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Financial Statements

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Protecting the Environment



MEADOWLANDS CONSERVATION TRUST
Serving the Entire Hackensack River Watershed

One DeKorte Park Plaza ☎ Lyndhurst, NJ ☎ 07071 ☎ PHONE: 201-777-2410 ☎ FAX: 201-460-2804 ☎ www.meadowlandsconservationtrust.org

May 16, 2014

The Board of Trustees
Meadowlands Conservation Trust

RE: 2013 Annual Report and Comprehensive Annual Financial Report

Letter of Transmittal – Chairman

The Comprehensive Annual Financial Report of the Meadowlands Conservation Trust (MCT) for the year ended December 31, 2013 is submitted herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the MCT's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. In accordance with the accounting principles, Meadowlands Conservation Trust is a component unit of the State of New Jersey, and as such, is included in the State of New Jersey's Annual Report. The accompanying Management Discussion and Analysis provides detailed narrative information on the financial statements provided in the Comprehensive Annual Financial Report.

Profile of the Trust

The Meadowlands Conservation Trust was established within the Department of Community Affairs through an Act of Legislation in 1999 to acquire land through either fee simple acquisition or conservation easements with the purpose of permanently preserving wetlands, water ways and open space in the Hackensack River Watershed. The Trust operates with a seven member board of trustees and is given mandates on environmental protection in the Hackensack River Watershed and for municipalities in Bergen and Hudson counties. The MCT's Chief Executive Officer heads a small support staff of NJMC funded employees and in addition receives operational assistance from non-assigned NJMC staff.



Accounting System and Budgetary Controls

The MCT's financial statements are prepared by NJMC's CFO and financial staff in accordance with generally accepted accounting principles. Meadowlands Conservation Trust prepares its financial statements using the principles of Fiduciary Funds as prescribed by Government Accounting Standard Board Statement #34.

In an effort to ensure compliance with the Commission's and the Trust's By-Laws and to safeguard its assets, an internal control structure has been developed and implemented by management.

Under the direction of NJMC's CFO and the financial department, the Trust's internal control areas include:

- Authorization levels for expenditures of Trust's funds;
- Specific procedures to follow when initiating purchase requisitions, purchase orders, receiving goods and payments for services;
- Separation of accounts payable and receivable functions;
- Bank reconciliation review;
- Controls over deposits; and
- Production of system-generated and manual checks.

The internal control structure also includes approved organization structures and approved budgets for capital and operating expenditures.

The NJMC and MCT have also set up standards for procurement, which have been codified in the NJMC's and MCT's Purchasing Procedures Manual. The standards include a threshold, over which the Board of Trustees must approve all transactions. The Trust is in compliance with Executive Order No. 37 with respect to procurement and has amended its procedures to ensure 100% compliance.

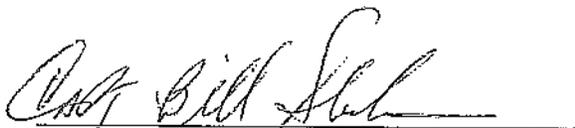
In calendar year of 2013, the Trust took several steps to implement cost savings:

- Engage joint ventures with corporations to assist with financial costs of property maintenance and upkeep;
- Send Board of Trustees communications electronically instead of paper;
- Post communications on website;
- Periodic reviews of repetitive purchases to insure the best price is attained;
- Thorough review of insurance needs in an effort to reduce premiums;
- Implementation of a project management initiative to oversee the numerous projects from both timing and financial control purposes;
- All functions are supplied by NJMC employees;

Independent Audit

The certified public accounting firm of Ferraioli, Wielkocz, Cerullo & Cuva was retained to perform an audit of the 2013 fiscal year in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In June 1999, the GASB adopted their Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for state and local governments. The Meadowlands Conservation Trust adopted GASB Statement No. 34 in fiscal year 2004, including the Management Discussion and Analysis (MD&A). The MD&A is considered to be required supplemental data and precedes the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The audit firm of Ferraioli, Wielkocz, Cerullo & Cuva reports directly to the three-member audit committee of the Board of Commissioners. An initial meeting prior to the start of the audit and a subsequent exit conference is held to discuss the results of the audit.

Regards,



Captain Bill Sheehan, Chairman

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Meadowlands Conservation Trust:

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the Meadowlands Conservation Trust (the Trust), (A Component Unit of the State of New Jersey), as of December 31, 2013, the related statement of changes in fiduciary net position for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of fiduciary net position as of December 31, 2013 and the statement of changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

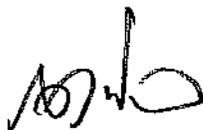
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meadowlands Conservation Trust's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

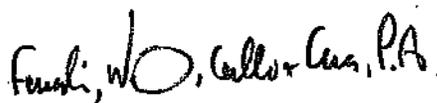
The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014 on our consideration of the Meadowlands Conservation Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Meadowlands Conservation Trust's internal control over financial reporting and compliance.



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

March 14, 2014



MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2013

This section of the Meadowlands Conservation Trust (MCT) annual financial report represents our discussion and analysis of the Trust's financial performance during the fiscal year that ended December 31, 2013. Please read it in conjunction with the MCT's financial statements.

Financial Highlights

- The Trust's net position increased by \$2,150,481 in 2013 due primarily to sale of mitigation rights.
- The total revenues for the Trust increased by \$916,844 due primarily to the increase in sale of mitigation rights received. In CY2013, the Trust's revenues amounted to \$2,358,231 and represented sale of mitigation rights of \$2,330,584, license plate sales from the New Jersey Division of Motor Vehicles (NJDMV) of \$21,026 and \$6,621 of other earnings.

Overview of the Financial Statements

The annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The Trust accounts for its financial activities under the fiduciary fund type, where the MCT acts as trustee of assets for the benefit of the citizens of the State of New Jersey.

Financial Summary

The Trust's net position increased \$2,150,481 in 2013 from \$31,313,717 to \$33,464,198. A comparative condensed summary of the Trust's Statement of Net Position at December 31 is shown in Figure 1.

Figure 1
Condensed Summary of Net Position
Statement of Fiduciary Net Position

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$5,547,083	\$3,372,109	\$2,174,974	64%
Capital assets	<u>27,944,180</u>	<u>27,956,680</u>	<u>(12,500)</u>	0%
Total assets	<u>33,491,263</u>	<u>31,328,789</u>	<u>2,162,474</u>	7%
Other liabilities	<u>27,065</u>	<u>15,072</u>	<u>11,993</u>	80%
Total liabilities	<u>27,065</u>	<u>15,072</u>	<u>11,993</u>	80%
Invested in capital assets	27,944,180	27,956,680	(12,500)	0%
Unrestricted	<u>5,520,018</u>	<u>3,357,037</u>	<u>2,162,981</u>	64%
Total net position	<u>\$33,464,198</u>	<u>\$31,313,717</u>	<u>\$2,150,481</u>	7%

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)
Management Discussion and Analysis, Continued
December 31, 2013

Revenue Highlights

The total revenues for the Trust increased \$916,844 in 2013 from \$1,441,387 to \$2,358,231. A comparative condensed summary of the Trust's Statement of Activities at December 31 is shown in Figure 2.

Figure 2
Condensed Summary of Statement of Activities

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Sale of Mitigation Rights	\$2,330,584	\$1,378,156	\$952,428	69%
NJDMV - Plate Sales	21,026	20,147	879	4%
Other	<u>6,621</u>	<u>43,084</u>	<u>(36,463)</u>	(85)%
Total Revenues	<u>2,358,231</u>	<u>1,441,387</u>	<u>916,844</u>	64%
Operating Costs	<u>207,750</u>	<u>73,031</u>	<u>134,719</u>	184%
Total Operating Costs	<u>207,750</u>	<u>73,031</u>	<u>134,719</u>	184%
Change in Net Position	2,150,481	1,368,356	782,125	57%
Beginning Net Position	<u>31,313,717</u>	<u>29,945,361</u>	<u>1,368,356</u>	5%
Ending Net Position	<u>\$33,464,198</u>	<u>\$31,313,717</u>	<u>\$2,150,481</u>	7%

Contacting Financial Management

The financial report is designed to provide citizens, people served by the Trust, vendors, and creditors with a general overview of the Trust's finances. If you have any questions about this report or need additional financial information, contact Bernard M. Nangle, Chief Executive Officer, Meadowlands Conservation Trust at One DeKorte Park Plaza, Lyndhurst, New Jersey.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	<u>Conservation Trust</u>
ASSETS	
Cash and Cash Equivalents - On Hand	2,505,584
Cash and Cash Equivalents - On Deposit with NJ Division of Treasury	3,041,499
Capital Assets, net	<u>27,944,180</u>
Total assets	<u><u>33,491,263</u></u>
LIABILITIES	
Accrued Expenses	177
Accounts Payable	<u>26,888</u>
Total liabilities	<u>27,065</u>
NET POSITION	
Invested in Capital Assets	27,944,180
Unrestricted	<u>5,520,018</u>
	<u><u>33,464,198</u></u>

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

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2013

	<u>Conservation Trust</u>
ADDITIONS	
Contributions:	
Sale of Mitigation Rights	2,330,584
NJDMV-Plate Sales	21,026
Total Contributions	<u>2,351,610</u>
Investment earnings:	
Interest	6,621
Net investment earnings	<u>6,621</u>
Total additions	<u>2,358,231</u>
DEDUCTIONS	
Fringe Benefits	337
Supplies	3,004
Services	204,409
Total deductions	<u>207,750</u>
Change in net position	2,150,481
Net position - beginning of the year	<u>31,313,717</u>
Net position - end of the year	<u><u>33,464,198</u></u>

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

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

Year ended December 31, 2013

(1) Summary of Significant Accounting Policies

The accounting policies of the Meadowlands Conservation Trust conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

(a) Reporting Entity

The Meadowlands Conservation Trust, which is considered a component unit of the State of New Jersey, was established in 1999. The Trust operates with a board of trustees whose main objectives are to acquire and hold or convey to other governmental entities or qualified non-profit organizations, environmentally important, valuable or sensitive lands located in the Hackensack meadowlands or within the Hackensack river watershed and to preserve and manage those lands in their natural state or in a largely natural or undeveloped state for the purposes of conserving and enhancing natural resources, protecting elements of natural diversity, providing open space, or providing public outdoor passive recreational opportunities.

There is established in the Meadowlands Conservation Trust a trust fund, to be known as the "Meadowlands Conservation Trust Fund," and the moneys therein are to be held in those depositories as the State Treasurer may select. The State Treasurer shall deposit into the trust fund all moneys: (1) received as a grant or other form of aid by the trust or by the State and designated for the trust; (2) given, donated, bequeathed, or endowed to the trust from public or private sources; (3) received as rent or as a royalty by the trust or by the State on behalf of the trust; (4) received as net revenues from the Division of Motor Vehicles in the Department of Transportation in connection with the issuance of Meadowlands conservation license plates as provided pursuant to sections 9 through 14 of P.L. 1999, c. 31 (C.39:3-27.100 C.39:3-27.105); and (5) appropriated or otherwise made available to the trust by the State. The moneys in the trust fund are specifically dedicated and shall be utilized only for the purposes of the trust as set forth in this act. Such grants, contributions, donations, and reimbursements from federal aid programs as may be lawfully used for the purposes of the trust as set forth in this act shall also be held in the trust fund. Moneys in the trust fund shall not be expended except in accordance with appropriations from the trust fund made by law. Any act appropriating moneys from the trust fund to acquire land shall identify the particular project or projects to be funded by the moneys, and any expenditure for a land acquisition project for which the location is not identified by municipality and county in the appropriation shall require the approval of the Joint Budget Oversight Committee or its successor. Pending their application to the purposes set forth in this act, the moneys in the trust fund shall be invested and reinvested as are trust funds in the custody of the State Treasurer, in the manner provided by law. Net earnings received from the investment or deposit of moneys in the trust fund shall be redeposited therein and become part of the trust fund to be used only for the purposes of the trust. The 2013 annual net earnings from the State Treasurer's deposits and investments were not available at the time of audit but are considered to be immaterial to the financial statements.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(1) Summary of Significant Accounting Policies, (continued)

(a) Reporting Entity, (continued)

Money in the Meadowlands Conservation Trust Fund shall not be utilized for the development of any land for any purpose or for the acquisition of land that will not remain in a natural or largely natural or undeveloped state, except that up to 5% of the moneys annually received and deposited into the trust fund may be utilized to pay for development of sites to allow for public access and environmental education and interpretation and for the development of trails, and up to 2% of the moneys annually received and deposited into the trust fund may be utilized to pay for promotional and program awareness efforts.

(b) Basis of Presentation – Fund Accounting

Fiduciary fund

This fund accounts for the receipt of funds designated for the purpose of acquiring and holding environmentally sensitive property within the Hackensack meadowlands or Hackensack river watershed area.

The accounts of the Trust are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. 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.

(c) Basis of Accounting

The Trust has adopted the following three accounting pronouncements of the Governmental Accounting Standards Board. GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*.

On January 1, 2012, the Trust adopted the provisions of Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(1) Summary of Significant Accounting Policies, (continued)

(d) Investments

Investments are stated in the financial statements at fair value based upon quoted market prices.

(e) Cash and Cash Equivalents

Cash and cash equivalents are stated at cost. Cash and cash equivalents include cash in banks and certificates of deposit with original maturities of less than three months from date of purchase.

(2) Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Trust's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2013, \$-0- of the Trust's bank balance of \$5,547,083 was exposed to custodial credit risk.

Interest Rate Risk

The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Trust places no limit on the amount the Trust may invest in any one issuer.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(3) Retirement Systems

Substantially all of the Trust's employees participate in the Public Employees' Retirement System (PERS) contributory defined benefit retirement system (retirement system) which has been established by State statute and is sponsored and administered by the State of New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Trust has not contributed to the plan since its inception. The employees are reported with all other employees of the New Jersey Meadowlands Commission.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)
Notes to Financial Statements, Continued

Year ended December 31, 2013

(4) Capital Assets

The following is a summary of the capital asset activity for the year ended December 31, 2013:

	Balance Dec. 31, 2012	Additions	Deletions	Balance Dec. 31, 2013
Capital assets that are not being depreciated:				
Land	\$27,731,680	\$ -	\$ -	\$27,731,680
Total capital assets not being depreciated	<u>27,731,680</u>	<u>-</u>	<u>-</u>	<u>\$27,731,680</u>
Building and building improvements	250,000	-	-	250,000
Totals at historical cost	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Less accumulated depreciation for:				
Building, improvements and equipment	(25,000)	(12,500)	-	(37,500)
Total accumulated depreciation	<u>(25,000)</u>	<u>(12,500)</u>	<u>-</u>	<u>(37,500)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>225,000</u>	<u>(12,500)</u>	<u>-</u>	<u>212,500</u>
	<u>\$27,956,680</u>	<u>\$(12,500)</u>	<u>\$ -</u>	<u>\$27,944,180</u>

Acquisition of the Richard P. Kane Natural Area

On March 25, 2005, The Meadowlands Conservation Trust took full title to the Empire Tract, located within Carlstadt and South Hackensack. This 587-acre tract of the land was once slated to become a megamall before it was determined to be ecologically important and worthy of preservation. The developer Mills Corporation's original plans intended for the filling of the 206 acres of wetlands to be developed into a retail facility, office building, warehousing space, and hotel. The remaining 381 acres would then be turned into a storm water retention basin. The Tract's acreage is predominantly comprised of wetlands with approximately twenty-five acres of uplands on the property.

As news of this possible development spread, government officials, environmental activists, and concerned citizens voiced their disapproval by testifying at public hearings, signing petitions, and writing letters of protest. Solidifying this opposition, Acting Governor Donald DiFrancesco stated in 2001 that the Meadowlands would no longer be viewed as undeveloped real estate.

Mills Corporation, unable to build Meadowlands Mills, sought to redevelop the area surrounding the IZOD Center. As part of their Xanadu proposal and wetlands mitigation deal, Mills Corporation offered the Empire Tract to the state to be preserved in perpetuity. Meadowlands Conservation Trust awaited the Army Corps of Engineers release of a permit to the Mills Corporation, allowing them to begin construction on Xanadu. On March 25, 2005, Meadowlands Conservation Trust accepted a transfer of deed and officially became owner of the land for the amount of a \$1 donation. Mills Corporation was required to give an annual stipend to the Trust in the amount of \$100,000 for upkeep and administrative issues that the Tract will require. The terms of the original agreement were for 75 years. The Meadowlands Conservation Trust has contacted Mills Corporation and the new potential owners of the former Xanadu project to discuss a schedule for outstanding and remaining payments.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(4) Capital Assets, (continued)

On September 19, 2005 the Empire Tract was renamed the Richard P. Kane Natural Area. Future plans for the site include extensive studies to determine the best management and restoration methods. The ultimate goal is to enable that Kane Tract habitat to return to its native state. The Trust plans to add walking paths, canoe access and birding trails in the near future.

(5) Deferred Compensation Plans

The Trust participates in two deferred compensation plans as follows:

- (a) New Jersey State Employees Deferred Compensation Plan – This Plan is an IRC Section 457 deferred compensation plan administered by the State of New Jersey and, accordingly, is included in the financial statements of the State. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan is funded solely from voluntary employee contributions. Employee contributions and investment earnings thereon are a part of the State Plan. Employees may defer a maximum 50% of their salary or \$16,500, whichever is less. Investments are on an individual participant basis and the total investment for all the Trust employees is unknown.
- (b) Variable Annuity Life Insurance Company (VALIC) – This 401(k) plan, which commenced operations on December 31, 1985, is funded solely from voluntary employee contributions. The Plan is administered by VALIC. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees, and are not included the accompanying financial statements.

(6) Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS and TPAF, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. At June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve that increases by one half of 1% of the active State payroll.

The State is also responsible for the cost attributable to P.L. 1992, Chapter 126, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2012, the State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(7) Risk Management

Property and Liability Insurance

The Trust maintains commercial insurance coverage for property, liability and surety bonds that covers the risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

New Jersey Unemployment Compensation Insurance

The Trust has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Trust 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 Trust is billed quarterly for amounts due to the State. There were no reimbursements which were required to be made to the State of New Jersey for year ended December 31, 2013.

(8) Commitments and Contingent Liabilities

1. MCT v. Borough of Carlstadt (Tax Court)

This case involves a tax sale of property owned by the MCT by the defendants, Borough of Carlstadt and Christopher Assenheimer, Tax Collector for the Borough of Carlstadt. Defendants claim that MCT owes \$218,156.79 in back taxes. The property at issue is located at Block 131, Lot 8, in the Borough of Carlstadt. The property is part of the Richard P. Kane Natural Area (the "Kane Tract"). The property is part of Kane Mitigation, LLC for the creation of a for-profit wetlands mitigation bank. The sale of credits from the wetlands mitigation bank is limited to purchasers who are completing public transportation projects within the Hackensack Meadowlands District. By notice dated March 2, 2012, Carlstadt served MCT with a tax sale notice for nonpayment of taxes on the Property. A New Jersey Tax and Assessment Search indicated that Carlstadt assessed the land value at \$1,883,500.00 and the value of the improvements at \$0.00. The mitigation bank has not been completed and no mitigation credits have yet been sold. MCT is asserting that it is exempt from taxation on real property pursuant to N.J.S.A. 54:4-3.159 and N.J.S.A. 54:4-3.3. The defendants have agreed pursuant to a consent order that the property shall not be re-listed for tax sale pending the outcome of this litigation.

2. Cheridan Realty LLC v. MCT, et al. (Notice of Tort Claim)

The claimant in this matter filed a notice of Tort Claim pursuant to Title 59 on January 23, 2013. The claimant is located at 178 Commerce Road, Carlstadt, New Jersey and has asserted a claim of \$200,000 for damages to its building due to a flood event caused by the Hurricane Sandy storm event of October 29, 2012. Claimant asserts that the berm located on the Kane Tract, which property is owned by MCT, breached and proximately caused flood damage to the claimant's property.

MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)

Notes to Financial Statements, Continued

Year ended December 31, 2013

(8) Commitments and Contingent Liabilities, (continued)

3. Corporate Jet Support, Inc., CJS Properties LLC, CJS Maintenance, LLC v. MCT et al. (Notice of Tort Claim)

The claimants in this matter filed a notice of Tort Claim pursuant to Title 59 on January 24, 2013. The claimants are located at One Graphic Place, Moonachie, New Jersey and have asserted claims for an unspecified amount of damages to its inventory and property due to a flood event caused by the Hurricane Sandy storm event of October 29, 2012. Claimants assert that the berm located on the Kane Tract, which property is owned by MCT, breached and proximately caused flood damage to the claimant's property.

4. Customized Distribution Services, Inc. v. MCT (Notice of Tort Claim)

The claimant in this matter filed a notice of Tort Claim pursuant to Title 59 on January 23, 2013. The claimant is located at 1 Lladro Drive, Moonachie, New Jersey and has asserted a claim of \$2,650,000 for damages to its warehouse and inventory due to a flood event caused by the Hurricane Sandy storm event of October 29, 2012. Claimant asserts that the berm located on the Kane Tract, which property is owned by MCT, breached and proximately caused flood damage to the claimant's property.

5. Liberty Bell Village, LLC and WilliamsTowne Manor, LLC v. MCT, et al. (Notice of Tort Claim)

The claimants in this matter filed a notice of Tort Claim pursuant to Title 59 on January 24, 2013. The claimants are located at 185 Liberty Street, Little Ferry, New Jersey and have asserted claims for \$1,200,000 in damages to its properties and in loss of rental income due to a flood event caused by the Hurricane Sandy storm event of October 29, 2012. Claimants assert that the berm located on the Kane Tract, which property is owned by MCT, breached and proximately caused flood damage to the claimant's property.

(9) Subsequent Events

The Trust has evaluated subsequent events through March 14, 2014, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

SUPPLEMENTARY INFORMATION

MEADOWLANDS CONSERVATION TRUST
 (A Component Unit of the State of New Jersey)
 Net Position by Component, Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	139,803	\$ 5,987,400	\$ 5,987,400	\$ 6,325,080	\$ 6,325,080	\$ 27,731,680	\$ 27,731,680	\$ 27,969,180	\$ 27,956,680	\$ 27,944,180
Unrestricted	\$ 139,803	276,937	361,400	493,198	505,813	1,476,759	1,289,997	1,976,181	3,357,037	5,520,018
Total governmental activities net position	\$ 139,803	\$ 6,264,337	\$ 6,348,800	\$ 6,818,278	\$ 6,830,893	\$ 29,208,439	\$ 29,021,677	\$ 29,945,361	\$ 31,313,717	\$ 33,464,198

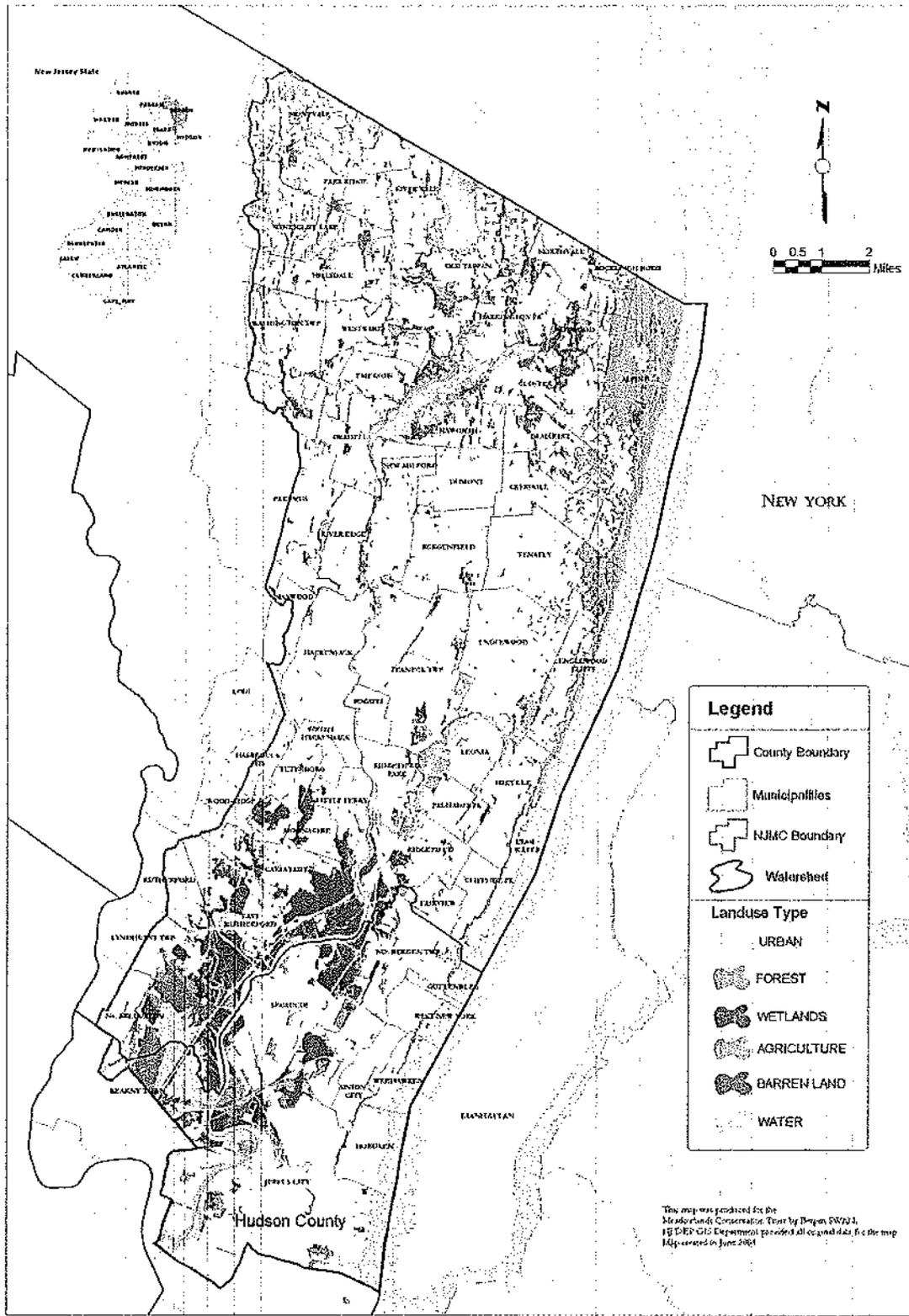
Source: Statement of Fiduciary Net Position

MEADOWLANDS CONSERVATION TRUST
 (A Component Unit of the State of New Jersey)
 Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Fiduciary activities:										
Salaries and Wages	\$ 60,846	\$ 84,959	\$ 107,837	\$ 79,546	\$ 107,131	\$ 111,060	\$ 98,432	15,715	12,043	337
Fringe Benefits	16,613	28,972	32,402	29,166	39,778	39,658	40,746	281	140	3,004
Supplies	1,184	4,126	8,304	277	6,807	4,167	2,724	61,553	48,091	204,409
Services	7,894	21,405	27,188	134,215	90,064	210,081	83,278	78,330	12,697	
Repairs and Maintenance										
Land Tract Fees	2,415	780	977	993	450	385	10,693	389	60	
Other	88,952	140,242	176,708	244,197	244,230	365,351	314,203	77,938	73,031	207,750
Total fiduciary activities expenses	\$ 100,000	\$ 131,250	\$ 98,413	\$ 175,000	\$ 125,000	\$ 1,200,000	\$ 100,000	\$ 990,268	\$ 1,378,156	\$ 2,330,584
Revenues										
Fiduciary activities:										
Contributions:										
NJ Meadowlands Commission	\$ 100,000	\$ 119,000	100,000	100,000	100,000	100,000	100,000	19,866	20,147	21,026
Sale of Mitigation Rights		5,987,400	19,932	27,497	20,125	22,941	21,117	30,354	43,084	6,621
Donations		22,984	14,499	73,498	11,620	13,356	6,374	980,488	1,441,387	2,338,231
Donation of Land	31,864	4,142	232,844	713,675	256,745	4,961,337	127,441			
NJDMV-Plate Sales	675									
Other	132,539	6,284,776								
Total fiduciary activities revenue	\$ 43,587	\$ 6,124,534	\$ 56,156	\$ 469,478	\$ 12,515	\$ 4,596,186	\$ (186,762)	\$ 902,550	\$ 1,368,356	\$ 2,150,481
Change in Net Position										
Total fiduciary trust										

Source: Statement of Changes in Fiduciary Net Position

Meadowlands Conservation Trust Hackensack River Watershed Focus Area



Legend

- County Boundary
- Municipalities
- NJMC Boundary
- Watershed

Land Use Type

- URBAN
- FOREST
- WETLANDS
- AGRICULTURE
- BARREN LAND
- WATER

This map was produced for the Meadowlands Conservation Trust by Design RW22, LLC. The Department provided all geographic data for the map. Reproduced in June 2004.

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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

The Board of Trustees
Meadowlands Conservation Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Meadowlands Conservation Trust (the Trust) (A Component Unit of the State of New Jersey) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

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

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



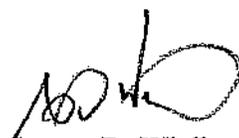
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

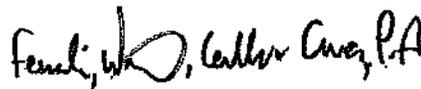
As part of obtaining reasonable assurance about whether the Meadowlands Conservation Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a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

Purpose of this Report

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



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

March 14, 2014



**MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of General Auditing Standards.

None

**MEADOWLANDS CONSERVATION TRUST
(A Component Unit of the State of New Jersey)**

**STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the general purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, as amended.

None