

**NEW JERSEY HIGHLANDS WATER  
PROTECTION AND PLANNING COUNCIL**

DIRECTLY ADMINISTERED FUNDS

Financial Statements

June 30, 2021

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL  
DIRECTLY ADMINISTERED FUNDS**

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**INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
New Jersey Highlands Water Protection and Planning Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the directly administered funds of New Jersey Highlands Water Protection and Planning Council (the "Council") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Council'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 misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the directly administered funds of the Council as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022, on our consideration of the Council'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 solely 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 effectiveness of the Council's 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 Council's internal control over financial reporting and compliance.

*Mercedien, P.C.*

*Certified Public Accountants*

February 7, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual financial report for the New Jersey Highlands Water Protection and Planning Council (the "Council") presents our discussion and analysis of the Council's financial performance of directly administered funds during the fiscal year ended June 30, 2021. Please read it in conjunction with the Council's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

Current assets decreased by \$37,459 or 1%  
 Current liabilities decreased by \$711,221 or 99%  
 Revenues increased by \$95,864 or 4%  
 Expenses decreased by \$4,636,933 or 74%  
 Total net position increased by \$654,163 or 25%

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements, which consist of government-wide and governmental funds financial statements, which are linked by a reconciliation. The government-wide financial statements are prepared using the economic resources management focus and the accrual basis of accounting; the governmental funds financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

**FINANCIAL ANALYSIS OF THE COUNCIL**

**Statements of Net Position**

The following table summarizes the changes in the statements of net position between June 30, 2021 and 2020. Explanations of significant changes follow the table:

	June 30,		Change
	2021	2020	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 3,264,678	\$ 3,302,137	\$ (37,459)
Total current assets	3,264,678	3,302,137	(37,459)
Capital assets, net	33,342	52,941	(19,599)
Total assets	<u>\$ 3,298,020</u>	<u>\$ 3,355,078</u>	<u>\$ (57,058)</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts payable - current	\$ 10,000	\$ 721,221	\$ (711,221)
Total liabilities	<u>10,000</u>	<u>721,221</u>	<u>(711,221)</u>
Net position			
Restricted - Regional Master Plan ("RMP")	868,968	1,314,340	(445,372)
Restricted - Highlands Development Credit Bank ("HDCB")	1,001,097	-	-
Restricted - comprehensive mitigation plan	1,026,340	1,066,212	(39,872)
Unrestricted	391,615	253,305	138,310
Total net position	<u>3,288,020</u>	<u>2,633,857</u>	<u>654,163</u>
Total liabilities and net position	<u>\$ 3,298,020</u>	<u>\$ 3,355,078</u>	<u>\$ (57,058)</u>

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**FINANCIAL ANALYSIS OF THE COUNCIL (CONTINUED)**

Cash and cash equivalents decreased by approximately 1%, or \$37,459, during fiscal year 2021, due to expenses paid exceeding revenues received.

Accounts payable – current decreased by approximately 99% or \$711,221 due to less comprehensive mitigation plan land acquisition activity during fiscal year 2021 compared to fiscal year 2020.

Total net position increased by approximately 25% or \$654,163, during fiscal year 2021, due to recognized revenues exceeding recognized expenses during the year.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

The following table summarizes the changes in the statements of revenues, expenses and changes in net position between June 30, 2021 and 2020. Explanations of significant changes follow the table:

	Years Ended June 30,		Change
	2021	2020	
Revenues			
State appropriations - operating	\$ 582,161	\$ 500,000	\$ 82,161
State appropriations - HDCB	1,000,000	-	1,000,000
State appropriations - RMP	110,000	-	110,000
Comprehensive mitigation contributions	625,000	1,680,000	(1,055,000)
Interest income	6,292	45,084	(38,792)
Other income	1,132	3,637	(2,505)
Total revenues	2,324,585	2,228,721	95,864
Expenses			
Comprehensive mitigation plan	667,662	5,343,648	(4,675,986)
RMP	557,493	490,096	67,397
Administrative expenses	405,468	445,750	(40,282)
Depreciation	39,799	27,861	11,938
Total expenses	1,670,422	6,307,355	(4,636,933)
Changes in net position	\$ 654,163	\$ (4,078,634)	\$ 4,732,797

Total revenues increased by \$95,864 primarily due to increases in state appropriations, offset by decreases in comprehensive mitigation contributions and interest income.

Expenses decreased by \$4,636,933 primarily due to decreases in comprehensive mitigation plan and administrative expenses, offset by an increase in RMP expenses.



**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

The Council's capital assets include leasehold improvements, vehicles, furniture and equipment and computers and related equipment. Net capital assets decreased by \$19,599 during fiscal year 2021. The change in net capital assets includes purchases of computer equipment and depreciation. The following table summarizes the changes in capital assets between June 30, 2021 and 2020:

	June 30,		Change
	2021	2020	
Leasehold improvements	\$ 28,451	\$ 28,451	\$ -
Furniture and equipment	57,806	57,806	-
Vehicles	18,044	18,044	-
Computers and related equipment	564,611	544,411	20,200
Total capital assets	668,912	648,712	20,200
Less: accumulated depreciation	635,570	595,771	39,799
Capital assets, net	\$ 33,342	\$ 52,941	\$ (19,599)

Capital Debt

The Council had no debt as of June 30, 2021 and 2020.

**MANAGEMENT AT THE COUNCIL**

For the period under audit of June 30, 2021, Lisa J. Plevin was the Executive Director, and she continues to serve in this position at the Highlands Council.

**CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide New Jersey citizens, taxpayers and legislators with a general overview of the Council's finances for its directly administered funds and to demonstrate the Council's accountability for its revenues and expenses. If you have questions about this report or need additional financial information, contact the Council at (908) 879-6737 or visit its website at: [www.highlands.state.nj.us](http://www.highlands.state.nj.us).

## **BASIC FINANCIAL STATEMENTS**

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**June 30, 2021**

	<u>Governmental Funds</u>	<u>Adjustments (Note E)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,264,678	\$ -	\$ 3,264,678
Capital assets, net	<u>-</u>	<u>33,342</u>	<u>33,342</u>
Total Assets	<u>\$ 3,264,678</u>	<u>\$ 33,342</u>	<u>\$ 3,298,020</u>
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>			
Accounts payable	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Liabilities	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>Fund balance/net position</b>			
Restricted - RMP	868,968	-	868,968
Restricted - HDCB	1,001,097	-	1,001,097
Restricted - Comprehensive Mitigation Plan	1,026,340	-	1,026,340
Unrestricted	<u>368,273</u>	<u>23,342</u>	<u>391,615</u>
Total fund balance/net position	<u>3,264,678</u>	<u>23,342</u>	<u>3,288,020</u>
Total liabilities and fund balance/net position	<u>\$ 3,264,678</u>	<u>\$ 33,342</u>	<u>\$ 3,298,020</u>

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION  
Year Ended June 30, 2021

	Governmental Funds	Adjustments (Note E)	Statement of Net Position
Revenues			
State appropriations - operating	\$ 582,160	\$ -	\$ 582,160
State appropriations - HDCB	1,000,000	-	1,000,000
State appropriations - RMP	110,000	-	110,000
Comprehensive mitigation contributions	625,000	-	625,000
Interest income	6,292	-	6,292
Other income	1,132	-	1,132
Total revenues	<u>2,324,584</u>	<u>-</u>	<u>2,324,584</u>
Expenditures/expenses			
Materials and supplies	19,167	-	19,167
Professional fees	9,785	564	10,349
Rent and utilities	235,625	-	235,625
Depreciation	-	39,799	39,799
Capital outlay	20,200	(20,200)	-
Other operating	140,326	-	140,326
Comprehensive mitigation plan	1,334,524	(666,862)	667,662
RMP	602,416	(44,923)	557,493
Total expenditures/expenses	<u>2,362,043</u>	<u>(691,622)</u>	<u>1,670,421</u>
Changes in fund balance/net position	(37,459)	691,622	654,163
Fund balance/net position, beginning of year	<u>3,302,137</u>	<u>(668,280)</u>	<u>2,633,857</u>
Fund balance/net position, end of year	<u>\$ 3,264,678</u>	<u>\$ 23,342</u>	<u>\$ 3,288,020</u>

See notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

New Jersey Highlands Water Protection and Planning Council (the "Council"), located in Chester, New Jersey, was created by the State of New Jersey (the "State") on November 30, 2004, pursuant to the Highlands Water Protection and Planning Act (the "Act") that preserves open space and protects the State's greatest diversity of natural resources including the precious water resources that supply drinking water to more than half of New Jersey's families. The Act documents the geographical boundary of the Highlands Region and establishes the Highlands Preservation Area and the Highlands Planning Area. The Council is charged with carrying out the provisions of the Act, including the development of a Regional Master Plan ("RMP") for the Highlands Region. State appropriations fund all directly administered expenditures included in these financial statements. Certain other program related activities of the Council are included in the State's financial statements. The Council manages three major programs:

The RMP was developed to restore and enhance the significant values of the abundant and critical resources of the Highlands Region.

The Highlands Development Credit Bank ("HDCB") was established to support the Transfer of Development Rights Program for the Highlands Region. This program serves as one mechanism to address some of the equity concerns of property owners in the preservation area that have been affected by the implementation of the Act.

The Comprehensive Mitigation Plan was established with contributions from public utilities to be used by the Council to support the acquisition and stewardship of lands, preservation of farmland, and by the HDCB, within the Highlands Region. Comprehensive mitigation plan contributions are received as federal grant reimbursements.

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The accompanying financial statements include only the accounts and activity of the directly administered funds of the Council. Certain capital fund and grant activities are not included in the financial statements as they are managed through the New Jersey Department of Environmental Protection ("DEP"), though certain revenues are funded through grant reimbursements for allowable program expenditures.

The basic financial statements consist of government-wide and governmental fund financial statements. The Council combines government-wide and governmental fund financial statements, which are linked together by a reconciliation.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities in the current period.

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Council considers all highly liquid debt instruments with original maturities of ninety days or less to be cash equivalents.

**Concentration of Risk**

The Council maintains cash balances which exceed federally insured limits. It historically has not experienced any credit-related losses.

State appropriations and comprehensive mitigation plan contributions represented 73% and 27%, respectively of the Council's revenues for the fiscal year ended June 30, 2021. If these revenues were not made available, the Council's operations would be significantly impacted.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. Actual results could differ from those estimates.

**Capital Assets**

Capital assets of \$1,000 or more are recorded at cost when purchased in the government-wide financial statements. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are three years for vehicles and computers and related equipment, and seven years for furniture and equipment. Leasehold improvements are depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Property and equipment are expensed when purchased in the governmental fund financial statements. Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

**Income Taxes**

As a public body, the Council is exempt from both federal and state taxes under existing statute.

**RMP, HDCB and Comprehensive Mitigation Plan Expenditures/Expenses**

The Council's RMP and land acquisition, stewardship, and preservation program expenses are not capitalized as these expenses are not for the operational benefit of the Council.

**B. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk-Deposit*

Custodial credit risk is the risk that in the event of a bank failure the Council's deposits may not be returned to it. The Council currently deposits funds in banks that will insure or secure their deposits. At June 30, 2021, the Council's funds were deposited at TD Bank, N.A., through which the Council was provided an irrevocable standby letter of credit ("LOC") from the Federal Home Loan Bank of Pittsburgh ("FHLB") (Aaa rated by Moody's) for \$4,000,000, which exceeded the average amount of the Council's deposits over the course of the fiscal year.

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

**B. CASH AND CASH EQUIVALENTS (CONTINUED)**

This LOC expired on August 26, 2021, and was subsequently renewed in the amount of \$4,000,000 for two additional three-month periods ending December 27, 2021.

Cash and cash equivalents book and bank balances as of June 30, 2021, were as follows:

	June 30, 2021	
	Book Balance	Bank Balance
Insured FDIC	\$ 250,000	\$ 250,000
LOC-FHLB	3,014,678	3,093,851
Total	<u>\$ 3,264,678</u>	<u>\$ 3,343,851</u>

**C. CAPITAL ASSETS**

Capital assets activity as of and for the year ended June 30, 2021, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Leasehold improvements	\$ 28,451	\$ -	\$ -	\$ 28,451
Furniture and equipment	57,806	-	-	57,806
Vehicles	18,044	-	-	18,044
Computers and related equipment	544,411	20,200	-	564,611
Total cost of capital assets	<u>648,712</u>	<u>20,200</u>	<u>-</u>	<u>668,912</u>
Less accumulated depreciation for				
Leasehold improvements	26,156	1,530	-	27,686
Furniture and equipment	57,806	-	-	57,806
Vehicles	9,022	6,015	-	15,037
Computers and related equipment	502,787	32,254	-	535,041
Total accumulated depreciation	<u>595,771</u>	<u>39,799</u>	<u>-</u>	<u>635,570</u>
Capital assets, net	<u>\$ 52,941</u>	<u>\$ (19,599)</u>	<u>\$ -</u>	<u>\$ 33,342</u>



**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

**D. CHANGES IN NET POSITION**

Changes in net position for the year ended June 30, 2021, are as follows:

	Total	Unrestricted	Restricted - RMP	Restricted - HDCB	Restricted - Mitigation
Balance at June 30, 2020	\$ 2,633,857	\$ 253,305	\$ 1,314,340	\$ -	\$ 1,066,212
State appropriations	1,692,161	582,161	110,000	1,000,000	-
Comprehensive mitigation contributions	625,000	-	-	-	625,000
Other income	1,132	1,132	-	-	-
Interest income	6,292	284	2,121	1,097	2,790
Expenses	(1,630,623)	(405,468)	(557,493)	-	(667,662)
Depreciation	(39,799)	(39,799)	-	-	-
Balance at June 30, 2021	\$ 3,288,020	\$ 391,615	\$ 868,968	\$ 1,001,097	\$ 1,026,340

**E. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

(1) When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as an expenditure in governmental funds. However, the statement of net position includes those capital assets among the assets of the Council as a whole.

	June 30, 2021
Leasehold improvements	\$ 28,451
Furniture and equipment	57,806
Vehicles	18,044
Computers and related equipment	564,611
Total cost of capital assets	668,912
Accumulated depreciation	635,570
Capital assets, net	\$ 33,342
Capital outlay	\$ 20,200

(2) Governmental fund expenditures reflect expenses that were included in government-wide accounts payable in the prior year and paid this year, and do not reflect accounts payable that will be paid next year. Depreciation expense of \$0 in the governmental fund differs from depreciation expense in the statement of activities of \$39,799 for 2021. The net adjustment of \$691,622 is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

	Year Ended June 30, 2021
Capital outlay	\$ (20,200)
Comprehensive mitigation plan expense	(666,862)
RMP expense	(44,923)
Professional fees	564
Depreciation expense	39,799
Total Adjustments	\$ (691,622)

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
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NOTES TO FINANCIAL STATEMENTS

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**F. POST-RETIREMENT BENEFITS OTHER THAN PENSION**

The Council is a member of the State's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Council's portion of this liability and cost is included in the State of New Jersey's Comprehensive Annual Financial Report; as such, the liability of Council's employees is covered under the State plan on an annual basis. The Council's payroll is processed through the DEP. As a result, the related payroll expense and fringe benefits, inclusive of health and post-retirement medical benefit costs, are recorded by the DEP with the equal value netted from the Council's revenues derived from State budget appropriations. For the fiscal year ended June 30, 2021, the Council's payroll was \$1,732,840. This amount was netted from the annual appropriation of \$2,315,000, resulting in a remaining appropriation of \$582,160 which was received during the year. For additional information about the plan, please refer to the State of New Jersey, Division of Pensions and Benefits' Comprehensive Annual Financial Report, which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**G. PENSION PLAN**

The Council's employees participate in the Public Employees Retirement System of New Jersey ("PERS"), a cost sharing multiple-employer defined benefit plan. The Council's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS.

The Council's payroll is processed through the DEP. As a result, the related payroll expense and fringe benefits, inclusive of pension costs, are recorded by the DEP with the equal value netted from the Council's revenues derived from State budget appropriations.

The State's contribution is based on the employer contribution rate developed by the system's actuary. The rate is then applied against the pension eligible salary for all State employees. The State does not keep track of contributions made to PERS for each separate State agency.

The State of New Jersey, Division of Pension and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295. For additional information about PERS, please refer to the State of New Jersey, Division of Pensions and Benefits' Comprehensive Annual Financial Report, which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**H. OPERATING LEASE**

The Council entered into an operating lease with the Township of Chester for office space that expires December 31, 2021. Rental expense for this lease was \$171,976 for the year ended June 30, 2021. The Council plans to renew the lease upon expiration.

The future minimum lease payment under the current operating lease is as follows:

Year Ending June 30,	
2022	\$ 86,824
Total	<u>\$ 86,824</u>

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

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**I. CORONAVIRUS - ORGANIZATION IMPACT**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Council operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, it is reasonably possible certain operating expenses will increase. It is unknown how long these conditions will last and what the complete financial affect will be to the Council.

**J. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The GASB has issued Statement No. 84, "*Fiduciary Activities.*" This statement is required to be adopted by the Council for the year ended June 30, 2021. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 90, "*Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61.*" This statement is required to be adopted by the Council for the year ended June 30, 2021. The adoption of this statement had no effect on previously reported amounts.

**K. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The GASB has issued Statement No. 87, "*Leases.*" This statement is required to be adopted by the Council for the year ending June 30, 2022. The Council has not determined the effect of Statement No. 87 on the financial statements.

The GASB has issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" This statement is required to be adopted by the Council for the year ending June 30, 2022. The Council has not determined the effect of Statement No. 89 on the financial statements.

The GASB has issued Statement No. 91, "*Conduit Debt Obligations.*" This statement is required to be adopted by the Council for the year ending June 30, 2023. The Council has not determined the effect of Statement No. 91 on the financial statements.

The GASB has issued Statement No. 92, "*Omnibus 2020.*" This statement clarifies the effective date of Statement No. 87 and addresses other topics that are required to be adopted by the Council for the year ended June 30, 2023. The Council has not determined the effect of Statement No. 92 on the financial statements.

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

NOTES TO FINANCIAL STATEMENTS

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**K. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS  
(CONTINUED)**

The GASB has issued Statement No. 93, "*Replacement of Interbank Offered Rates.*" This statement is required to be adopted by the Council for the year ending June 30, 2022. The Council has not determined the effect of Statement No. 93 on the financial statements.

The GASB has issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" This statement is required to be adopted by the Council for the year ending June 30, 2023. The Council has not determined the effect of Statement No. 94 on the financial statements.

The GASB has issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" This statement postpones the effective dates of applicable pending Statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by statement No. 95.

The GASB has issued Statement No. 96, "*Subscription-Based Information Technology Arrangements.*" This statement is required to be adopted by the Council for the year ending June 30, 2023. The Council has not determined the effect of Statement No. 96 on the financial statements.

The GASB has issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB No. 32.*" This statement is required to be adopted by the Council for the year ending June 30, 2022. The Council has not determined the effect of Statement No. 97 on the financial statements.

The GASB has issued Statement No. 98, "*The Annual Comprehensive Financial Report.*" This statement is required to be adopted by the Council for the year ending June 30, 2022. The Council has not determined the effect of Statement No. 98 on the financial statements.

**INDEPENDENT AUDITORS' 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**

To the Members of  
New Jersey Highlands Water Protection and Planning Council  
Directly Administered Funds

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 governmental activities of the directly administered funds of New Jersey Highlands Water Protection and Planning Council (the "Council"), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 7, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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.

**INDEPENDENT AUDITORS' 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*  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have direct and material effect on the financial statements. 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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mercadieu, P.C.*  
*Certified Public Accountants*

February 7, 2022

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

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None reported.

**NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL**  
**DIRECTLY ADMINISTERED FUNDS**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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None reported.