

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

DIRECTLY ADMINISTERED FUNDS

Financial Statements
and
Supplementary Information

June 30, 2023

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

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June 30, 2023

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Council as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration 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

January 31, 2024

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, 2023. Please read it in conjunction with the Council's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Current assets increased by \$632,865 or 15%
 Current liabilities increased by \$4,681 or 37%
 Revenues decreased by \$1,992,621 or 61%
 Expenses decreased by \$1,649,733 or 72%
 Total net position increased by \$608,746 or 14%

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, 2023 and 2022. Explanations of significant changes follow the table:

	June 30,		\$ Change	% Change
	2023	2022		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,854,875	\$ 4,222,010	\$ 632,865	15 %
Total current assets	4,854,875	4,222,010	632,865	15 %
Right of use asset, net	923,537	1,091,453	(167,916)	(15) %
Capital assets, net	37,193	34,268	2,925	9 %
Total assets	<u>\$ 5,815,605</u>	<u>\$ 5,347,731</u>	<u>\$ 467,874</u>	<u>9 %</u>
LIABILITIES AND NET POSITION				
Accounts payable - current	\$ 17,181	\$ 12,500	\$ 4,681	37 %
Lease liability	959,703	1,105,256	(145,553)	(13) %
Total liabilities	<u>976,884</u>	<u>1,117,756</u>	<u>(140,872)</u>	<u>(13) %</u>
Net position				
Restricted - Regional Master Plan ("RMP")	2,224,844	1,595,855	628,989	39 %
Restricted - Highlands Development Credit Bank ("HDCB")	1,018,556	1,002,188	16,368	2 %
Restricted - comprehensive mitigation plan	1,043,765	1,026,788	16,977	2 %
Unrestricted	551,556	605,144	(53,588)	(9) %
Total net position	<u>4,838,721</u>	<u>4,229,975</u>	<u>608,746</u>	<u>14 %</u>
Total liabilities and net position	<u>\$ 5,815,605</u>	<u>\$ 5,347,731</u>	<u>\$ 467,874</u>	<u>9 %</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 increased by approximately 15%, or \$632,865, during fiscal year 2023, due to revenues received exceeding expenses paid.

Accounts payable – current increased by approximately 37% or \$4,681 due to increased professional fees during fiscal year 2023 compared to fiscal year 2022.

Total net position increased by approximately 14% or \$608,746, during fiscal year 2023, 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, 2023 and 2022. Explanations of significant changes follow the table:

	Years Ended June 30,		\$ Change	% Change
	2023	2022		
Revenues				
State appropriations - operating	\$ 433,492	\$ 694,413	\$ (260,921)	(38) %
State appropriations - HDCB	-	-	-	- %
State appropriations - RMP	750,000	980,000	(230,000)	(23) %
Comprehensive mitigation contributions	-	1,563,386	(1,563,386)	(100) %
Interest income	62,525	3,285	59,240	1,803 %
Other income	9,197	6,751	2,446	36 %
Total revenues	<u>1,255,214</u>	<u>3,247,835</u>	<u>(1,992,621)</u>	<u>(61) %</u>
Expenses				
Comprehensive mitigation plan	-	1,564,139	(1,564,139)	(100) %
RMP	146,372	253,899	(107,527)	(42) %
Administrative expenses	477,721	437,003	40,718	9 %
Depreciation	22,375	41,160	(18,785)	(46) %
Total expenses	<u>646,468</u>	<u>2,296,201</u>	<u>(1,649,733)</u>	<u>(72) %</u>
Changes in net position	<u>\$ 608,746</u>	<u>\$ 951,634</u>	<u>\$ (342,888)</u>	<u>(36) %</u>

Total revenues decreased by \$1,992,621 primarily due to decreases in operating and RMP state appropriations and comprehensive mitigation contributions, offset by an increase in interest income.

Expenses decreased by \$1,649,733 primarily due to decreases in comprehensive mitigation plan and RMP expenses, offset by an increase in administrative expenses.

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

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

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 increased by \$2,925 during fiscal year 2023. 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, 2023 and 2022:

	June 30,		Change
	2023	2022	
Leasehold improvements	\$ 28,451	\$ 28,451	\$ -
Furniture and equipment	64,683	64,683	-
Vehicles	18,044	18,044	-
Computers and related equipment	625,120	599,820	25,300
Total capital assets	736,298	710,998	25,300
Less: accumulated depreciation	699,105	676,730	22,375
Capital assets, net	<u>\$ 37,193</u>	<u>\$ 34,268</u>	<u>\$ 2,925</u>

Capital Debt

The Council had no debt as of June 30, 2023 and 2022.

MANAGEMENT AT THE COUNCIL

For the period under audit of June 30, 2023, Benjamin L. Spinelli was the Executive Director and he 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.

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, 2023

	<u>Governmental Funds</u>	<u>Adjustments (Note E)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 4,854,875	\$ -	\$ 4,854,875
Right-of-use asset, net	-	923,537	923,537
Capital assets, net	-	37,193	37,193
Total Assets	<u>\$ 4,854,875</u>	<u>\$ 960,730</u>	<u>\$ 5,815,605</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
Accounts payable	\$ -	\$ 17,181	\$ 17,181
Lease liability	-	959,703	959,703
Total Liabilities	<u>-</u>	<u>976,884</u>	<u>976,884</u>
Fund balance/net position			
Restricted - RMP	2,224,844	-	2,224,844
Restricted - HDCB	1,018,556	-	1,018,556
Restricted - Comprehensive Mitigation Plan	1,043,765	-	1,043,765
Unrestricted	567,710	(16,154)	551,556
Total fund balance/net position	<u>4,854,875</u>	<u>(16,154)</u>	<u>4,838,721</u>
Total liabilities and fund balance/net position	<u>\$ 4,854,875</u>	<u>\$ 960,730</u>	<u>\$ 5,815,605</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, 2023

	<u>Governmental Funds</u>	<u>Adjustments (Note E)</u>	<u>Statement of Net Position</u>
Revenues			
State appropriations - operating	\$ 433,492	\$ -	\$ 433,492
State appropriations - RMP	750,000	-	750,000
Interest income	62,525	-	62,525
Other income	<u>9,197</u>	<u>-</u>	<u>9,197</u>
Total revenues	<u>1,255,214</u>	<u>-</u>	<u>1,255,214</u>
Expenditures/expenses			
Materials and supplies	25,583	-	25,583
Professional fees	13,320	500	13,820
Rent and utilities	250,661	(178,848)	71,813
Depreciation	-	22,375	22,375
Capital outlay	25,300	(25,300)	-
Other operating	165,294	-	165,294
Lease interest and amortization	-	201,211	201,211
RMP	<u>142,191</u>	<u>4,181</u>	<u>146,372</u>
Total expenditures/expenses	<u>622,349</u>	<u>24,119</u>	<u>646,468</u>
Changes in fund balance/net position	632,865	(24,119)	608,746
Fund balance/net position, beginning of year	<u>4,222,010</u>	<u>7,965</u>	<u>4,229,975</u>
Fund balance/net position, end of year	<u>\$ 4,854,875</u>	<u>\$ (16,154)</u>	<u>\$ 4,838,721</u>

NOTES TO FINANCIAL STATEMENTS

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

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 and at times in-kind contributions from landowners.

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 the Treasury, 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.

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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.

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 94% and 100%, respectively, of the Council's revenues for the fiscal year ended June 30, 2023. 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. The comprehensive mitigation plan fund reports revenues and expenditures for donations in-kind of land that are considered matching expenditures for the federal grant program.

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

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, 2023, the Council's funds were deposited at TD Bank, N.A., through which the Council was provided irrevocable standby letters of credit ("LOC") from the Federal Home Loan Bank of Pittsburgh ("FHLB") (Aaa rated by Moody's) totaling \$4,400,000, which exceeded the average amount of the Council's deposits over the course of the fiscal year.

The LOC expired on September 28, 2023, and were subsequently renewed in the amount of \$4,800,000 for six months ending March 28, 2024.

Cash and cash equivalents book and bank balances as of June 30, 2023, were as follows:

	Book Balance	Bank Balance
Insured FDIC	\$ 250,000	\$ 250,000
LOC-FHLB	4,604,875	4,232,723
Total	<u>\$ 4,854,875</u>	<u>\$ 4,482,723</u>

C. CAPITAL ASSETS

Capital assets activity as of and for the year ended June 30, 2023, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Leasehold improvements	\$ 28,451	\$ -	\$ -	\$ 28,451
Furniture and equipment	64,683	-	-	64,683
Vehicles	18,044	-	-	18,044
Computers and related equipment	599,820	25,300	-	625,120
Total cost of capital assets	<u>710,998</u>	<u>25,300</u>	<u>-</u>	<u>736,298</u>
Less accumulated depreciation for				
Leasehold improvements	28,451	1,376	-	29,827
Furniture and equipment	58,297	-	-	58,297
Vehicles	18,044	-	-	18,044
Computers and related equipment	571,938	21,000	-	592,938
Total accumulated depreciation	<u>676,730</u>	<u>22,375</u>	<u>-</u>	<u>699,105</u>
Capital assets, net	<u>\$ 34,268</u>	<u>\$ 2,925</u>	<u>\$ -</u>	<u>\$ 37,193</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, 2023, are as follows:

	Total	Unrestricted	Restricted - RMP	Restricted - HDCB	Restricted - Comprehensive Mitigation Plan
Balance at June 30, 2022	\$ 4,229,975	\$605,144	\$1,595,855	\$1,002,188	\$1,026,788
State appropriations	1,183,492	433,492	750,000	-	-
Comprehensive mitigation contributions	-	-	-	-	-
Other income	9,197	9,197	-	-	-
Interest income	62,525	3,819	25,361	16,368	16,977
Expenses	(624,093)	(477,721)	(146,372)	-	-
Depreciation	(22,375)	(22,375)	-	-	-
Balance at June 30, 2023	<u>\$ 4,838,721</u>	<u>\$ 551,556</u>	<u>\$ 2,224,844</u>	<u>\$ 1,018,556</u>	<u>\$ 1,043,765</u>

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.

Leasehold improvements	\$ 28,451
Furniture and equipment	64,683
Vehicles	18,044
Computers and related equipment	625,120
Total cost of capital assets	<u>736,298</u>
Accumulated depreciation	699,105
Capital assets, net	<u>\$ 37,193</u>
Capital outlay	<u>\$ 25,300</u>

(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. Governmental funds report capital outlay and governmental activities report lease interest and amortization. Governmental funds report rent expense, and governmental activities report lease interest and amortization. The net adjustment of \$24,119 is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

Professional fees	\$ 500
Capital outlay	(25,300)
Depreciation expense	22,375
Rent and Utilities	(178,848)
Lease interest and amortization	201,211
RMP Expenditures	4,181
Total Adjustments	<u>\$ 24,119</u>

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

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 Annual Comprehensive 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 New Jersey Department of Environmental Protection ("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, 2023, the Council's payroll was \$1,995,508. This amount was netted from the annual appropriation of \$2,429,000, resulting in a remaining appropriation of \$433,492 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' Annual Comprehensive Financial Report, which can be found at 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 Pensions 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 Pensions 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' Annual Comprehensive Financial Report, which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

H. COMMITMENTS

Operating Lease

The Council entered into an operating lease with the Township of Chester for office space. The interest rates on the lease are fixed based on the U.S. prime interest rate at lease commencement. The lease term, annual payment and liability are summarized as follows:

Lease	Commencement Date	Payment Terms	Annual Payment Amount	Interest Rate	Liability at Commencement	Balance June 30, 2023
Township of Chester Office Space	1/1/2022	7 years	\$ 182,377	3.25%	\$ 1,175,411	\$ 959,703
			<u>\$ 182,377</u>		<u>\$ 1,175,411</u>	<u>\$ 959,703</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 153,946	\$ 28,431	\$ 182,377
2025	162,670	23,289	185,959
2026	171,762	17,859	189,621
2027	181,255	12,126	193,381
2028	191,156	6,078	197,234
Thereafter	98,914	671	99,585
	<u>\$ 959,703</u>	<u>\$ 88,454</u>	<u>\$ 1,048,157</u>

I. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (“GASB”) STATEMENTS

The GASB has issued Statement No. 91, “*Conduit Debt Obligations*.” This statement is required to be adopted by the Council for the year ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

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 adoption of this statement had no effect on previously reported amounts.

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 ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

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.

NEW JERSEY HIGHLANDS WATER PROTECTION AND PLANNING COUNCIL
DIRECTLY ADMINISTERED FUNDS

NOTES TO FINANCIAL STATEMENTS

I. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (“GASB”) STATEMENTS (CONTINUED)

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 ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 99, “*Omnibus 2022*.” Certain provisions of this statement are required to be adopted by the Council for the year ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

J. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (“GASB”) STATEMENTS

The GASB has issued Statement No. 100, “*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*.” This statement is required to be adopted by the Council for the year ending June 30, 2024. The Council has not determined the effect of Statement No. 100 on the financial statements.

The GASB has issued Statement No. 101, “*Compensated Absences*.” This statement is required to be adopted by the Council for the year ending June 30, 2025. The Council has not determined the effect of Statement No. 101 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, 2023, and the related notes to financial statements, which collectively comprise the Council's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 31, 2024.

Report on 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 or significant deficiencies may exist that were not 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)**

Report on 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 grant agreements, 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.

Mercedien, P.C.
Certified Public Accountants

January 31, 2024

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

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

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.