

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

DIRECTLY ADMINISTERED FUNDS

Financial Statements  
and  
Supplementary Information

June 30, 2025

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

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June 30, 2025

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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 and each major fund 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, 2025, 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 opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Council as of June 30, 2025, 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 the 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)

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule of expenditures of federal awards and the related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information, as 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 11, 2026, 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*

March 11, 2026

**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, 2025. Please read it in conjunction with the Council's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Current assets decreased by \$140,145 or 2%
- Current liabilities increased by \$12,488 or 8%
- Revenues increased by \$831,128 or 47%
- Expenses increased by \$1,622,215 or 146%
- Total net position decreased by \$139,778 or 3%

**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, 2025 and 2024. Explanations of significant changes follow the table:

	June 30,		\$ Change	% Change
	2025	2024		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 5,391,408	\$ 5,658,608	\$ (267,200)	(5) %
Due from Federal	127,055	-	127,055	100 %
Total current assets	5,518,463	5,658,608	(140,145)	(2) %
Right of use asset, net	587,706	755,621	(167,915)	(22) %
Capital assets, net	61,058	42,950	18,108	42 %
Total assets	<u>\$ 6,167,227</u>	<u>\$ 6,457,179</u>	<u>\$ (289,952)</u>	<u>(4) %</u>
<b>LIABILITIES AND NET POSITION</b>				
Accounts payable - current	\$ 173,880	\$ 161,392	\$ 12,488	8 %
Lease liability	643,095	805,757	(162,662)	(20) %
Total liabilities	<u>816,975</u>	<u>967,149</u>	<u>(150,174)</u>	<u>(16) %</u>
Net position				
Restricted - Regional Master Plan ("RMP")	2,909,807	3,249,884	(340,077)	(10) %
Restricted - Highlands Development Credit Bank ("HDCB")	968,827	944,599	24,228	3 %
Restricted - comprehensive mitigation plan	1,100,165	1,073,456	26,709	2 %
Unrestricted	371,453	222,091	149,362	67 %
Total net position	<u>5,350,252</u>	<u>5,490,030</u>	<u>(139,778)</u>	<u>(3) %</u>
Total liabilities and net position	<u>\$ 6,167,227</u>	<u>\$ 6,457,179</u>	<u>\$ (289,952)</u>	<u>(4) %</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 5%, or \$267,200, during fiscal year 2025, due to expenses paid exceeding revenues received.

Accounts payable – current increased by approximately 8% or \$12,488 due to increased RMP and comprehensive mitigation plan expenses during fiscal year 2025 compared to fiscal year 2024.

Total net position decreased by approximately 3% or \$139,778 during fiscal year 2025, due to recognized expenses exceeding recognized revenues 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, 2025 and 2024. Explanations of significant changes follow the table:

	Years Ended June 30,		\$ Change	% Change
	2025	2024		
<b>Revenues</b>				
State appropriations - operating	\$ 668,580	\$ 170,965	\$ 497,615	291 %
State appropriations - RMP	794,671	1,463,000	(668,329)	(46) %
Comprehensive mitigation plan contributions	999,180	-	999,180	100 %
Interest income	127,701	124,291	3,410	3 %
Other income	4,125	4,873	(748)	(15) %
Total revenues	2,594,257	1,763,129	831,128	47 %
<b>Expenses</b>				
Comprehensive mitigation plan contributions	999,180	-	999,180	100 %
RMP	1,206,281	497,217	709,064	143 %
Highlands Development Credit Bank	-	102,619	(102,619)	100 %
Administrative expenses	502,171	487,412	14,759	3 %
Depreciation	26,403	24,572	1,831	7 %
Total expenses	2,734,035	1,111,820	1,622,215	146 %
Changes in net position	\$ (139,778)	\$ 651,309	\$ (791,087)	(121) %

Total revenues increased by \$831,128 primarily due to increases in operating state appropriations and comprehensive mitigation plan contributions, offset by a decrease in RMP state appropriations.

Expenses increased by \$1,622,215 primarily due to increases in RMP and comprehensive mitigation plan expenses, offset by a decrease in Highlands Development Credit Bank 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 increased by \$18,108 during fiscal year 2025. 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, 2025 and 2024:

	June 30,		Change
	2025	2024	
Leasehold improvements	\$ 28,451	\$ 28,451	\$ -
Furniture and equipment	72,187	72,187	-
Vehicles	18,044	18,044	-
Computers and related equipment	692,456	647,945	44,511
Total capital assets	811,138	766,627	44,511
Less: accumulated depreciation	750,080	723,677	26,403
Capital assets, net	\$ 61,058	\$ 42,950	\$ 18,108

Capital Debt

The Council had no debt as of June 30, 2025 and 2024.

**MANAGEMENT AT THE COUNCIL**

For the period under audit of June 30, 2025, 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.nj.gov/njhighlands](http://www.nj.gov/njhighlands).

## **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, 2025

	Governmental Funds	Adjustments (Note E)	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,391,408	\$ -	\$ 5,391,408
Due from Federal	-	127,055	127,055
Right-of-use asset, net	-	587,706	587,706
Capital assets, net	-	61,058	61,058
Total Assets	<u>\$ 5,391,408</u>	<u>\$ 775,819</u>	<u>\$ 6,167,227</u>
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>			
Accounts payable	\$ -	\$ 173,880	\$ 173,880
Lease liability	-	643,095	643,095
Total Liabilities	<u>-</u>	<u>816,975</u>	<u>816,975</u>
<b>Fund balance/net position</b>			
Restricted - RMP	2,943,136	(33,329)	2,909,807
Restricted - HDCB	968,827	-	968,827
Restricted - Comprehensive Mitigation Plan	1,100,165	-	1,100,165
Unrestricted	379,280	(7,827)	371,453
Total fund balance/net position	<u>5,391,408</u>	<u>(41,156)</u>	<u>5,350,252</u>
Total liabilities and fund balance/net position	<u>\$ 5,391,408</u>	<u>\$ 775,819</u>	<u>\$ 6,167,227</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, 2025

	Governmental Funds	Adjustments (Note E)	Statement of Net Position
Revenues			
State appropriations - operating	\$ 668,580	\$ -	\$ 668,580
State appropriations - RMP	794,671	-	794,671
Comprehensive mitigation plan contributions	872,125	127,055	999,180
Interest income	127,701	-	127,701
Other income	4,125	-	4,125
Total revenues	<u>2,467,202</u>	<u>127,055</u>	<u>2,594,257</u>
Expenditures/expenses			
Materials and supplies	24,533	-	24,533
Professional fees	13,500	500	14,000
Rent and utilities	265,445	(185,954)	79,491
Depreciation	-	26,403	26,403
Capital outlay	44,511	(44,511)	-
Other operating	192,942	-	192,942
Lease interest and amortization	-	191,205	191,205
Comprehensive mitigation plan	872,125	127,055	999,180
RMP	<u>1,321,346</u>	<u>(115,065)</u>	<u>1,206,281</u>
Total expenditures/expenses	<u>2,734,402</u>	<u>(367)</u>	<u>2,734,035</u>
Changes in fund balance/net position	(267,200)	127,422	(139,778)
Fund balance/net position, beginning of year	<u>5,658,608</u>	<u>(168,578)</u>	<u>5,490,030</u>
Fund balance/net position, end of year	<u>\$ 5,391,408</u>	<u>\$ (41,156)</u>	<u>\$ 5,350,252</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 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

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**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. Expenditures are recognized when the related liability is incurred.

**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 represented 56% of the Council's revenues for the fiscal year ended June 30, 2025. 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 to five 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, 2025, 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) in the amount of \$5,000,000, which exceeded the average amount of the Council's deposits over the course of the fiscal year.

The LOC expired on September 30, 2025, and was subsequently renewed in the amount of \$6,000,000 for six months ending March 31, 2026.

Cash and cash equivalents book and bank balances as of June 30, 2025, were as follows:

	Book Balance	Bank Balance
Insured FDIC	\$ 250,000	\$ 250,000
LOC-FHLB	5,141,408	4,430,389
Total	<u>\$ 5,391,408</u>	<u>\$ 4,680,389</u>

**C. CAPITAL ASSETS**

Capital assets activity as of and for the year ended June 30, 2025, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Leasehold improvements	\$ 28,451	\$ -	\$ -	\$ 28,451
Furniture and equipment	72,187	-	-	72,187
Vehicles	18,044	-	-	18,044
Computers and related equipment	647,945	44,511	-	692,456
Total cost of capital assets	<u>766,627</u>	<u>44,511</u>	<u>-</u>	<u>811,138</u>
Less accumulated depreciation for				
Leasehold improvements	28,451	-	-	28,451
Furniture and equipment	61,799	1,675	-	63,474
Vehicles	18,044	-	-	18,044
Computers and related equipment	615,384	24,727	-	640,111
Total accumulated depreciation	<u>723,677</u>	<u>26,403</u>	<u>-</u>	<u>750,080</u>
Capital assets, net	<u>\$ 42,950</u>	<u>\$ 18,108</u>	<u>\$ -</u>	<u>\$ 61,058</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, 2025, are as follows:

	Total	Unrestricted	Restricted - RMP	Restricted - HDCB	Restricted - Comprehensive Mitigation Plan
Balance at June 30, 2024	\$ 5,490,030	\$ 222,091	\$ 3,249,884	\$ 944,599	\$ 1,073,456
State appropriations	1,463,251	668,580	794,671	-	-
Comprehensive mitigation plan contributions	999,180	-	-	-	999,180
Other income	4,125	4,125	-	-	-
Interest income	127,701	5,231	71,533	24,228	26,709
Expenses	(2,707,632)	(502,171)	(1,206,281)	-	(999,180)
Depreciation	(26,403)	(26,403)	-	-	-
Balance at June 30, 2025	<u>\$ 5,350,252</u>	<u>\$ 371,453</u>	<u>\$ 2,909,807</u>	<u>\$ 968,827</u>	<u>\$ 1,100,165</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	72,187
Vehicles	18,044
Computers and related equipment	692,456
Total cost of capital assets	811,138
Accumulated depreciation	750,080
Capital assets, net	<u>\$ 61,058</u>
Capital outlay	<u>\$ 44,511</u>

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

NOTES TO FINANCIAL STATEMENTS

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

(2) Governmental fund revenues that were not received in the current year are not recorded in the governmental funds, but are recorded as accounts receivable in the government-wide financial statements. 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 \$127,422 is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

Comprehensive mitigation plan contributions	\$	127,055
Capital outlay		44,511
Depreciation expense		(26,403)
Professional fees		(500)
Rent and utilities		185,954
Lease interest and amortization		(191,205)
Comprehensive mitigation plan expenditures		(127,055)
RMP expenditures		115,065
Total Adjustments	\$	<u>127,422</u>

**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, 2025, the Council's payroll was \$2,397,420. This amount was netted from the annual appropriation of \$3,066,000, resulting in a remaining appropriation of \$668,580 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](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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

NOTES TO FINANCIAL STATEMENTS

**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>.

**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	FY2025 Payment	Interest Rate	Liability at Commencement	Balance June 30, 2025
Township of Chester Office Space	1/1/2022	7 years	\$ 185,952	3.25%	\$ 1,175,411	\$ 643,095
			<u>\$ 185,952</u>		<u>\$ 1,175,411</u>	<u>\$ 643,095</u>

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 171,762	\$ 17,859	\$ 189,621
2027	181,255	12,126	193,381
2028	191,156	6,078	197,234
2029	98,922	670	99,592
	<u>\$ 643,095</u>	<u>\$ 36,733</u>	<u>\$ 679,828</u>

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

NOTES TO FINANCIAL STATEMENTS

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

The GASB has issued Statement No. 101, “*Compensated Absences.*” This statement is required to be adopted by the Council for the year ended June 30, 2025. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 102, “*Certain Risk Disclosures.*” This statement is required to be adopted by the Council for the year ended June 30, 2025. 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. 103, “*Financial Reporting Model Improvements.*” This statement is required to be adopted by the Council for the year ending June 30, 2026. The Council has not determined the effect of Statement No. 103 on the financial statements.

The GASB has issued Statement No. 104, “*Disclosure of Certain Capital Assets.*” This statement is required to be adopted by the Council for the year ending June 30, 2026. The Council has not determined the effect of Statement No. 104 on the financial statements.

The GASB has issued Statement No. 105, “*Subsequent Events.*” This statement is required to be adopted by the Council for the year ending June 30, 2027. The Council has not determined the effect of Statement No. 105 on the financial statements.

## **SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2025**

Federal Grantor / Program Title	Financial Assistance Listing Number	Grant Award Amount	Grant Period	Current Year Expenditures	Passed through to Subrecipients	Cumulative Expenditures
U.S. Department of the Interior, Fish and Wildlife Service:						
Highlands Conservation:	15.667	\$ 2,564,650	11/01/2019-12/31/2025	\$ 872,125	\$ -	\$ 872,125
New Jersey Highlands Council Cooperative Agreement- Recreation and Open Space Plan	15.667	<u>172,000</u>	5/1/2023-12/31/2026	<u>127,055</u>	<u>-</u>	<u>127,055</u>
U.S. Department of the Interior, Fish and Wildlife Service & Federal Program Totals		<u>\$ 2,736,650</u>		<u>\$ 999,180</u>	<u>\$ -</u>	<u>\$ 999,180</u>

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2025

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**A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of the Council and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Single Audit Act and Subpart F of Title 2 U.S. Code of Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position or change in net position of the Council.

**B. Summary of Significant Accounting Policies**

The Council recognizes grant revenues when related expenditures are incurred on an accrual basis; that is, activities prerequisite to obtaining benefit have been completed, such as complying with the terms and conditions of the grant agreement.

**C. Indirect Cost Rate**

The Council does not have an indirect cost rate nor does it use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**D. Relationship to Basic Financial Statements**

The federal program as listed in the Schedule is accounted for by the Council in the Council's Comprehensive Mitigation Plan Fund.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2025

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**Section I - Summary of Auditors' Results**

*Basic Financial Statements*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

***Unmodified***

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

*Internal control over major program:*

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditors' report issued on compliance for major federal program: ***Unmodified***

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  yes  no

Identification of major program:

*Financial Assistance Listing Number*  
15.667

*Name of Federal Program*  
Highlands Conservation

Dollar threshold used to distinguish between type A and type B programs for federal awards: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2025

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**Section II - Financial Statement Findings**

None reported.

**Section III - Findings and Questioned Costs for Federal Awards**

None reported.

**Section IV - Summary Schedule of Prior Year Audit Findings**

None reported.

**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, 2025, 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 March 11, 2026.

**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.

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

March 11, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the New Jersey Highlands Water Protection and Planning Council's (the "Council") compliance with the types of compliance requirements identified as subject to audit in the Federal Grant Compliance Supplement, that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2025. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's major federal program.

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (CONTINUED)

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. 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, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (CONTINUED)**

**Report on Internal Control Over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 11, 2026