

*Report of Audit*

*on the*

*Financial Statements*

*of the*

***New Jersey Association  
of Counties***

*for the*

*Years Ended*  
*December 31, 2011 and 2010*

NEW JERSEY ASSOCIATION OF COUNTIES

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## INDEPENDENT AUDITOR'S REPORT

New Jersey Association of Counties  
150 West State Street  
Trenton, New Jersey 08608

We have audited the accompanying statements of net assets of the New Jersey Association of Counties at December 31, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Association of Counties at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

August 20, 2012

NEW JERSEY ASSOCIATION OF COUNTIESSTATEMENTS OF NET ASSETS  
DECEMBER 31, 2011 AND 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 173,688	\$ 133,964
Accounts Receivable	32,712	56,404
Due From Related Party	5,449	25,000
Prepaid Expenses		5,868
Security Deposit	<u>4,510</u>	<u>4,510</u>
<u>Total Assets</u>	<u>\$ 216,359</u>	<u>\$ 225,746</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts Payable and Accrued Expenses	<u>\$ 58,996</u>	<u>\$ 72,683</u>
<u>Total Current Liabilities</u>	<u>58,996</u>	<u>72,683</u>
Net Assets:		
Unrestricted	<u>157,363</u>	<u>153,063</u>
Total Net Assets	<u>157,363</u>	<u>153,063</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 216,359</u>	<u>\$ 225,746</u>

The accompanying notes are an integral part of these financial statements.

NEW JERSEY ASSOCIATION OF COUNTIES  
 STATEMENTS OF REVENUE, EXPENSES AND  
 CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Dues and Membership Fees	\$ 217,098	\$ 216,483
NACO Fees	137,709	123,992
Annual Conference	235,942	292,495
Year End Conference	16,750	
Management Fee	26,397	73,829
Roster/Website	2,315	4,235
Interest	320	1,202
Other Income	5,087	3,187
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	641,618	715,423
Expenses:		
Salaries	305,442	515,154
Payroll Taxes	22,823	34,765
Health Insurance	54,016	64,788
Pension Expense	54,946	62,470
Meetings and Conferences	1,214	7,094
Presidents Expense	79	827
Professional Fees	16,502	16,921
Occupancy Costs	68,908	69,945
Office Expense	15,713	17,537
Computer Service	9,333	12,162
Telephone	4,955	7,836
Travel Expenses	8,539	9,585
Insurance	4,450	3,964
Dues and Subscriptions	2,634	2,098
Public Relations and Newsletters		325
NACO	1,445	3,019
Printing and Postage	2,789	3,847
Annual Conference Expenses	57,728	42,687
Other Event Expenses	5,802	
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	637,318	875,024
Increase (Decrease) in Net Assets	<hr/> 4,300	<hr/> (159,601)
Net Assets, Beginning of Year	<hr/> 153,063	<hr/> 312,664
Net Assets, End of Year	<hr/> <u>\$ 157,363</u>	<hr/> <u>\$ 153,063</u>

The accompanying notes are an integral part of these financial statements.

NEW JERSEY ASSOCIATION OF COUNTIESSTATEMENTS OF CASH FLOWS FOR THE YEARS  
ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Dues and Membership Fees	\$ 208,362	\$ 205,547
Other Revenue	482,367	498,740
Payments to Vendors and Employees	<u>(651,005)</u>	<u>(830,086)</u>
Net Cash Provided (Used) by Operating Activities	<u>39,724</u>	<u>(125,799)</u>
<u>Cash Flows from Investing Activities:</u>		
Net Cash Provided (Used) in Investing Activities	<u>- 0 -</u>	<u>- 0 -</u>
<u>Cash Flows from Financing Activities:</u>		
Net Cash Provided (Used) by Financing Activities	<u>- 0 -</u>	<u>- 0 -</u>
Net Increase (Decrease) in Cash and Cash Equivalents	39,724	(125,799)
Cash and Cash Equivalents, Beginning of Year	<u>133,964</u>	<u>259,763</u>
Cash and Cash Equivalents, End of Year	<u>\$ 173,688</u>	<u>\$ 133,964</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Increase (Decrease) in Net Assets	\$ 4,300	\$ (159,601)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	18,243	(10,936)
Due From Related Party	25,000	74,476
Prepaid Expenses	5,868	(5,868)
Accounts Payable and Accrued Expenses	<u>(13,687)</u>	<u>(23,870)</u>
Net Cash Provided by Operating Activities	<u>\$ 39,724</u>	<u>\$ (125,799)</u>

The accompanying notes are an integral part of these financial statements.

## NEW JERSEY ASSOCIATION OF COUNTIES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

#### NATURE OF BUSINESS

The New Jersey Association of Counties is a group of local public units, counties, recognized by the State Legislature for the purpose of advancing County interests, programs and issues. The Association consists of the twenty-one New Jersey counties and their elected officials, which includes not only Freeholders but also County Executives and Constitutional Officers such as Surrogates, County Clerks and Sheriffs, and other County public entities.

The Association was formed to assist elected and appointed officials in the State of New Jersey in their efforts to provide responsive, effective county government. Each County elects to pay membership dues annually to the Association.

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements have been prepared on the accrual basis. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

##### Reporting Entity

The Association's financial statements include all operations and management of the organization. The Board of Directors consists of the officers of the Association and twenty-one Freeholder members, one from each member county, who are selected by each county.

##### Revenue

The Association derives its revenue from dues and membership fees which are assessed to each of eighteen Counties in the State of New Jersey. A base amount of \$3,538 is assessed to all Counties, with an additional amount being assessed based on each Counties population. Population is determined using census data, which changes every ten years. The Association, via resolution, has the authority to assess an additional percentage increase based on a County's population.

##### Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market value and consist of short-term, highly liquid investments, which are readily convertible into cash within three months of purchase.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value. The Association classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

Concentration of Credit Risk

The Association maintains its cash balances in financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. At various times throughout the year, such balances may exceed insurance limits.

The Association does not have a policy regarding the management of credit risk.

Accounts Receivable

The Association considers all accounts receivable to be fully collectible: no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Estimates and Uncertainties

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is classified as a governmental unit as described in the Internal Revenue Code and in accordance with the Code, is not subject to income taxes.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

(2) PENSION AND OTHER DEFERRED COMPENSATION PLANS

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school board or public agency provided the employee is not a member of another state-administered retirement system.

Membership is mandatory for such employees and vesting occurs after 10 years of services. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credit service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate of one quarter of one percent for each month the member retires prior to reaching age 55.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy for PERS

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Beginning October 1, 2011 employees were required to contribute 6.5% of their base salary to the plan. The Association is required to contribute at an actuarially determined rate to PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Association made contributions of \$54,946 and \$62,470 to PERS for the fiscal years ended December 31, 2011 and 2010, respectively. In 2009, the Association contributed \$25,031 to PERS.

In 2011, all payroll and fringe benefits were recorded under the Association.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011 AND 2010

(3) POST RETIREMENT HEALTH INSURANCE

The Association provides post-retirement health benefits to one employee who retired with 25 years or more of service. No other employee is eligible for this benefit.

Plan Description

The Association contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Association on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Association's contributions to SHBP for the years ended December 31, 2011 and 2010 were \$54,016 and \$64,788, respectively, which equaled the required contributions for each year. In 2009, the Association contributed \$24,583 to SHBP.

In 2011, all benefits were recorded under the Association.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

(4) LEASES

Operating Leases

The Association currently leases office equipment and a office facility in Trenton, New Jersey under various operating leases. Future minimum lease payments under all non-cancelable operating leases as of December 31, 2011 are as follows:

<u>Year Ending:</u>	<u>Amounts</u>
2012	68,943
2013	69,352
2014	69,352
2015	69,352
Thereafter	<u>- 0 -</u>
Total	<u>\$276,999</u>

(5) RELATED ORGANIZATION

The NJAC Foundation, Inc. (a non-profit organization) is considered a related party to the Association due to common management. In addition, the Association provides various administrative services and office space to the Foundation.

The Foundation reimbursed the Association \$26,397 and \$73,829 for the years ended December 31, 2011 and 2010, respectively; for cost including payroll, rent and other expenses.

At December 31, 2011 and 2010 the Association was owed \$5,449 and \$-0- respectively for such expenses from the Foundation.

In 2011, the Association assumed all Foundation administrative and office expenses and charged the related Foundation a Management Fee.

Beginning January 1, 2011, all conference income and expenses were assumed by the Association and are reflected in these financial statements. In 2010, conference income and expenses were reflected in the financial statements of the Foundation.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

(6) NATIONAL ASSOCIATION OF COUNTIES AGREEMENT

The Association is affiliated with the National Association of Counties, which provides programs and marketing on the national level for county agencies and their employees. The Association has an agreement with NACO Services, Inc. a wholly owned subsidiary of the National Association of Counties, whereby the Association derives revenue on a quarterly basis based on a deferred compensation program.

Nationwide Retirement Services has partnered with NACO Services, Inc. such that a fee is collected based on how many County employees in the State of New Jersey participate in the deferred compensation plan.

These fees totaled \$137,709 and \$123,992 for the years ended December 31, 2011 and 2010, respectively. The 2011 fees included a bonus of \$12,314 based on 12.5% of dues.

(7) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through August 20, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the Association has determined that no subsequent events have occurred which require disclosure in the financial statements.

(8) COMMITMENTS AND CONTINGENCIES

In the opinion of management, claims or lawsuits incidental to the business of the Association have been adequately provided for in the financial statements.

The Association has a line of credit in the amount of \$60,000 with PNC Bank. At December 31, 2011 there was no borrowing or balance due.