

*Report of Audit*

*on the*

*Financial Statements*

*of the*

***New Jersey Association  
of Counties***

*for the*

*Years Ended*  
*December 31, 2016 and 2015*

NEW JERSEY ASSOCIATION OF COUNTIES

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# SUPLEE, CLOONEY & COMPANY

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the New Jersey Association of Counties, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**SUPLEE, CLOONEY & COMPANY**

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

***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 as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

November 6, 2017

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

NEW JERSEY ASSOCIATION OF COUNTIESSTATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 416,786	\$ 331,539
Accounts Receivable	58,059	83,559
Security Deposit	4,510	4,510
Prepaid Expenses	<u>2,340</u>	<u>2,040</u>
<u>TOTAL ASSETS</u>	<u>\$ 481,695</u>	<u>\$ 421,648</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 50,633	\$ 55,193
Deferred Income	<u>10,500</u>	<u>8,575</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 61,133</u>	<u>\$ 63,768</u>
Net Position:		
Unrestricted	<u>420,562</u>	<u>357,880</u>
<u>TOTAL NET ASSETS</u>	<u>420,562</u>	<u>357,880</u>
<u>TOTAL LIABILITIES AND POSITION</u>	<u>\$ 481,695</u>	<u>\$ 421,648</u>

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

NEW JERSEY ASSOCIATION OF COUNTIESSTATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Dues and Membership Fees	\$ 262,420	\$ 263,965
NACO Fees	139,868	134,695
Annual Conference	240,339	259,978
Year End Conference	44,850	37,125
Management Fee	30,000	36,000
Roster/Website	14,878	9,318
Interest	454	463
Other Income	9,450	9,295
	<u>742,259</u>	<u>750,839</u>
<u>Total Operating Revenues</u>		
Expenses:		
Salaries	343,171	334,496
Payroll Taxes	25,504	24,426
Health Insurance	74,816	76,319
Pension Expense	39,872	37,702
Meetings and Conferences	7,600	9,238
Professional Fees	13,493	14,085
Occupancy Costs	54,408	67,937
Office Expense	16,461	18,053
Computer Service	7,899	7,070
Telephone	5,875	5,249
Travel Expenses	11,925	12,306
Insurance	4,219	4,433
Dues and Subscriptions	1,266	1,304
Printing and Postage	7,104	2,206
Annual Conference Expenses	52,089	64,708
Other Event Expenses	13,875	13,553
Miscellaneous	5,373	5,373
	<u>679,577</u>	<u>698,458</u>
<u>Total Operating Expenses</u>		
Increase in Net Position	<u>62,682</u>	<u>52,381</u>
Net Position, Beginning of Year	<u>357,880</u>	<u>305,499</u>
Net Position, End of Year	<u>\$ 420,562</u>	<u>\$ 357,880</u>

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

NEW JERSEY ASSOCIATION OF COUNTIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Dues and Membership Fees	\$ 275,890	\$ 259,550
Other Revenue	493,494	486,060
Payments to Vendors and Employees	<u>(684,137)</u>	<u>(688,242)</u>
Net Cash Provided (Used) by Operating Activities	<u>85,247</u>	<u>57,368</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 in Cash and Cash Equivalents	85,247	57,368
Cash and Cash Equivalents, Beginning of Year	<u>331,539</u>	<u>274,171</u>
Cash and Cash Equivalents, End of Year	<u>\$ 416,786</u>	<u>\$ 331,539</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating Activities:</u>		
Increase (Decrease) in Net Position	\$ 62,682	\$ 52,381
<u>Changes in Operating Assets and Liabilities:</u>		
Accounts Receivable	25,500	(7,429)
Due From Related Party		
Prepaid Expenses	(300)	(2,040)
Accounts Payable and Accrued Expenses	(4,560)	10,216
Deferred Income	<u>1,925</u>	<u>4,240</u>
Net Cash Provided by Operating Activities	<u>\$ 85,247</u>	<u>\$ 57,368</u>

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

## NEW JERSEY ASSOCIATION OF COUNTIES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 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 twenty one 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 county's 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, 2016 AND 2015

(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, 2016 AND 2015

(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 7.02% of employees' annual compensation, as defined. 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 \$39,872 and \$37,702 to PERS for the fiscal years ended December 31, 2016 and 2015, respectively. In 2014, the Association contributed \$35,280 to PERS.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

(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, 2016 and 2015 were \$74,816 and \$76,319, respectively, which equaled the required contributions for each year. In 2014, the Association contributed \$71,101 to SHBP.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

(4) LEASES

Operating Leases

The Association currently leases office equipment and an office facility in Trenton, New Jersey under various operating leases. Future minimum lease payments under all non-cancelable operating leases as of December 31, 2016 are as follows:

<u>Year Ending:</u>	<u>Amounts</u>
2017	\$ 57,494
2018	<u>58,475</u>
Total	<u>\$115,969</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 \$30,000 and \$36,000 for the years ended December 31, 2016 and 2015, respectively, for cost including payroll, rent and other expenses. The Foundation will reimburse the Association \$30,000 a year for all following years.

At December 31, 2016 and 2015, the Association was owed \$8,834 and \$7,083 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.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

(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 \$139,868 and \$134,695 for the years ended December 31, 2016 and 2015, respectively.

(7) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through November 6, 2017, 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.