

Report of Audit

on the

Financial Statements

of the

*New Jersey Association
of Counties*

for the

*Years Ended
December 31, 2020 and 2019*

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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the main text block.

October 28, 2021

NEW JERSEY ASSOCIATION OF COUNTIES

STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 379,767	\$ 486,053
Accounts Receivable	59,917	52,049
Security Deposit	4,510	4,510
Prepaid Expenses	<u>3,605</u>	<u>3,500</u>
<u>TOTAL ASSETS</u>	<u>\$ 447,799</u>	<u>\$ 546,112</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 53,672	\$ 67,813
Deferred Income	<u>51,025</u>	<u>17,190</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 104,697</u>	<u>\$ 85,003</u>
<u>Net Position:</u>		
Without Donor Restrictions	<u>343,102</u>	<u>461,109</u>
<u>TOTAL NET ASSETS</u>	<u>343,102</u>	<u>461,109</u>
<u>TOTAL LIABILITIES AND POSITION</u>	<u>\$ 447,799</u>	<u>\$ 546,112</u>

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

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		2019	
	WITHOUT DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	TOTAL
<u>REVENUES AND SUPPORT</u>				
<u>Operating Activities:</u>				
Dues and Membership Fees	\$ 278,158	\$ 278,158	\$ 281,945	\$ 281,945
NACO Fees	138,301	138,301	138,174	138,174
Annual Conference	72,570	72,570	296,775	296,775
Year End Conference	2,050	2,050	26,200	26,200
Workshop Income	26,381	26,381	-	-
Roster/Website	8,520	8,520	18,369	18,369
GFOANJ	56,004	56,004	56,004	56,004
Other Income	3,100	3,100	10,946	10,946
	\$ 585,084	\$ 585,084	\$ 828,413	\$ 828,413
Total Revenues	\$ 585,084	\$ 585,084	\$ 828,413	\$ 828,413
<u>EXPENSES</u>				
Program Expense	605,432	605,432	719,832	719,832
Management and General	98,123	98,123	102,355	102,355
Total Expenses	\$ 703,555	\$ 703,555	\$ 822,187	\$ 822,187
Change in Net Assets from Operating Activity	\$ (118,471)	\$ (118,471)	\$ 6,226	\$ 6,226
<u>Non-Operating Activities</u>				
Interest and Dividend Income	464	464	583	583
Change in Net Assets from Non-Operating Activity	464	464	583	583
Net Increase (Decrease) in Net Assets	\$ (118,007)	\$ (118,007)	\$ 6,809	\$ 6,809
Net Assets at Beginning of Year	461,109	461,109	454,300	454,300
Net Assets at End of Year	\$ 343,102	\$ 343,102	\$ 461,109	\$ 461,109

NEW JERSEY ASSOCIATION OF COUNTIES

EXHIBIT "C"

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>		<u>2019</u>		
	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>PROGRAM</u>	<u>MANAGEMENT</u>	
	<u>EXPENSES</u>	<u>AND</u>	<u>EXPENSES</u>	<u>AND</u>	<u>TOTAL</u>
		<u>GENERAL</u>		<u>GENERAL</u>	<u>EXPENSES</u>
		<u>EXPENSES</u>		<u>EXPENSES</u>	<u>EXPENSES</u>
Salaries	\$ 321,881	\$ 56,802	\$ 311,794	\$ 55,023	\$ 366,817
Payroll Taxes	23,746	4,190	23,242	4,101	27,343
Health Insurance	57,400	10,130	59,689	10,533	70,222
Pension Expense	43,256	7,633	38,298	6,759	45,057
Meetings and Conferences	1,980	349	3,959	699	4,658
Professional Fees	11,723	2,069	52,635	9,289	61,924
Occupancy Costs	42,564	7,511	44,918	7,927	52,845
Office Expense	18,379	3,243	16,790	2,963	19,753
Computer Service	13,954	2,462	7,333	1,294	8,627
Telephone	6,451	1,138	5,514	1,005	6,519
Travel Expenses	7,499	1,323	9,200	1,624	10,824
Insurance	4,217	744	3,695	652	4,347
Dues and Subscriptions	1,362	240	1,121	198	1,319
Printing and Postage	1,640	289	1,635	288	1,923
Annual Conference Expenses	557	557	69,912		69,912
Other Event Expenses	3,248	3,248	15,170		15,170
GFOANJ	45,575		54,927		54,927
TOTAL EXPENSES	\$ 605,432	\$ 98,123	\$ 719,832	\$ 102,355	\$ 822,187

NEW JERSEY ASSOCIATION OF COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>OPERATING ACTIVITIES</u>	<u>2020</u>	<u>2019</u>
Net Increase in Net Assets		
Collections from Dues and Membership Fees	\$ 214,540	\$ 266,483
Other Revenue	306,926	547,000
Payments to Vendors and Employees	<u>(628,216)</u>	<u>(776,806)</u>
Net Cash Provided (Used) by Operating Activities	<u>(106,750)</u>	<u>36,677</u>
<u>INVESTING ACTIVITIES</u>		
Interest Income	<u>464</u>	<u>583</u>
Net Cash Provided (Used) in Investing Activities	<u>464</u>	<u>583</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(106,286)	37,260
Cash and Cash Equivalents, Beginning of Year	<u>486,053</u>	<u>448,793</u>
Cash and Cash Equivalents, End of Year	<u>\$ 379,767</u>	<u>\$ 486,053</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>		
Increase (Decrease) in Net Position	\$ (118,471)	\$ 6,226
<u>Changes in Operating Assets and Liabilities:</u>		
Accounts Receivable	(7,868)	15,462
Prepaid Expenses	(105)	(875)
Accounts Payable and Accrued Expenses	(14,141)	2,174
Deferred Income	<u>33,835</u>	<u>13,690</u>
Net Cash Provided by Operating Activities	<u>\$ (106,750)</u>	<u>\$ 36,677</u>

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

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Revenues and gains are recognized when earned, and expenses and losses 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.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Association. The Association's Board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions -- Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 AND 2019

(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 7.5% 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 \$50,889 and \$45,057 to PERS for the fiscal years ended December 31, 2020 and 2019, respectively. In 2018, the Association contributed \$45,926 to PERS.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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, 2020 and 2019 were \$67,350 and \$70,222, respectively, which equaled the required contributions for each year. In 2018, the Association contributed \$73,146 to SHBP.

(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, 2020 are as follows:

<u>Year Ending:</u>	<u>Amounts</u>
2021	<u>37,200</u>
Total	<u>\$37,200</u>

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(5) RELATED ORGANIZATION

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

(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 \$138,301 and \$138,174 for the years ended December 31, 2020 and 2019, respectively.

(7) LIQUIDITY

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents	\$ 379,767
Accounts Receivable	<u>59,917</u>
Total Financial Assets	\$ 439,684
Donor-imposed restrictions or internal designations:	
Donor-Imposed Restricted Funds	\$ (- 0 -)
Total Donor-imposed restrictions or internal designations	<u>(- 0 -)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$439,684</u>

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(8) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through October 28, 2021, 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.

(9) 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.