

Report of Audit

on the

Financial Statements

of the

***New Jersey Association
of Counties***

for the

Years Ended
December 31, 2022 and 2021

NEW JERSEY ASSOCIATION OF COUNTIES

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of the New Jersey Association of Counties (the "Association"), which comprises the statement of net position as of December 31, 2022 and 2021 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the New Jersey Association of Counties as of December 31, 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in the Notes to the Financial Statements, management has not adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Accounting principles generally accepted in the United States of America require that a liability and related expense be recorded for pension and other postemployment benefits, which would decrease net position, increase liabilities, and increase expenses in the financial statements. The amount by which this departure would affect net position, liabilities, and expenses in the financial statements has not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the New Jersey Association of Counties 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 qualified audit opinion.

SUPLEE, CLOONEY & COMPANY

Responsibilities of Management for the Financial Statements

The Association's 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 Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 auditor's report that includes our opinion. 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 generally accepted 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 controls. 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 generally accepted auditing standards and, 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 Association'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 Association'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.

January 10, 2024

NEW JERSEY ASSOCIATION OF COUNTIESSTATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 617,972	\$ 530,230
Accounts Receivable	7,703	30,528
Security Deposit	4,510	4,510
Prepaid Expenses	<u>1,500</u>	<u>4,650</u>
<u>TOTAL ASSETS</u>	<u>\$ 631,685</u>	<u>\$ 569,918</u>
 <u>LIABILITIES AND NET POSITION</u> 		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 67,643	\$ 66,877
Deferred Income	<u>15,025</u>	<u>20,025</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 82,668</u>	<u>\$ 86,902</u>
<u>Net Position:</u>		
Without Donor Restrictions	<u>549,017</u>	<u>483,016</u>
<u>TOTAL NET ASSETS</u>	<u>549,017</u>	<u>483,016</u>
<u>TOTAL LIABILITIES AND POSITION</u>	<u>\$ 631,685</u>	<u>\$ 569,918</u>

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

NEW JERSEY ASSOCIATION OF COUNTIES

EXHIBIT "B"

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>		<u>2021</u>	
<u>REVENUES AND SUPPORT</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<u>WITHOUT DONOR RESTRICITONS</u>	<u>TOTAL</u>
<u>Operating Activities:</u>				
Dues and Membership Fees	\$ 344,439	344,439	\$ 343,610	343,610
NACO Fees	128,744	128,744	124,552	124,552
Annual Conference	330,780	330,780	294,843	294,843
Year End Conference	20,025	20,025	42,825	42,825
Workshop Income	3,117	3,117	30,280	30,280
Roster/Website	9,495	9,495	10,500	10,500
GFOANJ	60,000	60,000	56,004	56,004
Other Income	6,264	6,264	1,125	1,125
	\$ <u>902,864</u>	<u>902,864</u>	<u>903,739</u>	<u>903,739</u>
 Total Revenues	 <u>902,864</u>	 <u>902,864</u>	 <u>903,739</u>	 <u>903,739</u>
 <u>EXPENSES</u>				
Program Expense	711,665	711,665	648,520	648,520
Management and General	125,589	125,589	115,678	115,678
	\$ <u>837,254</u>	\$ <u>837,254</u>	\$ <u>764,198</u>	\$ <u>764,198</u>
 Change in Net Assets from Operating Activity	\$ 65,610	\$ 65,610	\$ 139,541	\$ 139,541
 <u>Non-Operating Activities</u>				
Interest and Dividend Income	<u>391</u>	<u>391</u>	<u>373</u>	<u>373</u>
 Change in Net Assets from Non-Operating Activity	391	\$ 391	\$ 373	\$ 373
 Net Increase (Decrease) in Net Assets	\$ 66,001	66,001	139,914	139,914
 Net Assets at Beginning of Year	<u>483,016</u>	<u>483,016</u>	<u>343,102</u>	<u>343,102</u>
 Net Assets at End of Year	\$ <u>549,017</u>	\$ <u>549,017</u>	\$ <u>483,016</u>	\$ <u>483,016</u>

NEW JERSEY ASSOCIATION OF COUNTIES

EXHIBIT "C"

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

	2022			2021		
	PROGRAM EXPENSES	MANAGEMENT AND GENERAL EXPENSES	TOTAL EXPENSES	PROGRAM EXPENSES	MANAGEMENT AND GENERAL EXPENSES	TOTAL EXPENSES
Salaries	\$ 332,772	\$ 58,725	\$ 391,497	\$ 321,881	\$ 56,802	\$ 378,683
Payroll Taxes	25,533	4,506	30,039	24,668	4,353	29,021
Health Insurance	50,652	8,939	59,591	49,436	8,724	58,160
Pension Expense	51,121	9,021	60,142	47,053	8,303	55,356
Meetings and Conferences	11,727	2,070	13,797	321	57	378
Professional Fees	7,856	1,386	9,242	7,701	1,359	9,060
Occupancy Costs	32,215	5,685	37,900	31,704	5,596	37,300
Office Expense	23,160	4,087	27,247	17,309	3,054	20,363
Computer Service	7,101	1,253	8,354	6,971	2,462	9,433
Telephone	6,865	1,211	8,076	7,048	1,244	8,292
Travel Expenses	8,542	1,507	10,049	7,171	1,266	8,437
Insurance	4,570	807	5,377	4,165	735	4,900
Dues and Subscriptions	960	170	1,130	958	169	1,127
Printing and Postage	1,441	254	1,695	2,208	390	2,598
Annual Conference Expenses	86,369	15,242	101,611	79,973	14,113	94,086
Other Event Expenses	14,238	2,513	16,751	1,796	317	2,113
GFOANJ	46,543	8,213	54,756	38,157	6,734	44,891
TOTAL EXPENSES	\$ 711,665	\$ 125,589	\$ 837,254	\$ 648,520	\$ 115,678	\$ 764,198

NEW JERSEY ASSOCIATION OF COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>OPERATING ACTIVITIES</u>	<u>2022</u>	<u>2021</u>
Net Increase in Net Assets		
Collections from Dues and Membership Fees	\$ 367,264	\$ 307,399
Other Revenue	558,425	560,129
Payments to Vendors and Employees	<u>(838,338)</u>	<u>(717,438)</u>
Net Cash Provided (Used) by Operating Activities	<u>87,351</u>	<u>(150,090)</u>
 <u>INVESTING ACTIVITIES</u>		
Interest Income	<u>391</u>	<u>373</u>
Net Cash Provided (Used) in Investing Activities	<u>391</u>	<u>373</u>
Net Increase (Decrease) in Cash and Cash Equivalents	87,742	150,463
Cash and Cash Equivalents, Beginning of Year	<u>530,230</u>	<u>379,767</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 617,972</u></u>	<u><u>\$ 530,230</u></u>
 Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>		
Increase (Decrease) in Net Position	\$ 65,610	\$ 139,541
 <u>Changes in Operating Assets and Liabilities:</u>		
Accounts Receivable	22,825	29,389
Prepaid Expenses	3,150	(1,045)
Accounts Payable and Accrued Expenses	766	13,205
Deferred Income	<u>(5,000)</u>	<u>(31,000)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 87,351</u></u>	<u><u>\$ 150,090</u></u>

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

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

(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, 2022 AND 2021

(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 \$60,142 and \$55,356 to PERS for the fiscal years ended December 31, 2022 and 2021, respectively. In 2020, the Association contributed \$50,889 to PERS.

Under GAAP, the Association is required to recognize a pension liability in the of Statement of Net Position and the Notes to the Financial Statements in accordance with GASB 68. The liability is required to be displayed by GASB 68 as a separate line item in the liabilities area of the Statement of Net Position. This liability is not reflected in the financial statements of the Commission.

Actuarial information required by GASB 68 is not included in this report.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(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, 2022 and 2021 were \$59,591 and \$58,160, respectively, which equaled the required contributions for each year. In 2020, the Association contributed \$67,350 to SHBP.

Under GAAP, the Association is required to recognize a liability for post-retirement health benefits in the Statement of Net Position and the Notes to the Financial Statements in accordance with GASB 75. The liability is required to be displayed by GASB 75 as a separate line item in the liabilities area of the Statement of Net Position. This liability is not reflected in the financial statements of the Association.

Actuarial information required by GASB 75 is not included in this report.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(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, 2022 are as follows:

<u>Year Ending:</u>	<u>Amounts</u>
2023	38,500
2024	39,100
2025	39,700
2026	40,300
2027	34,000
Total	<u>\$191,600</u>

(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 \$128,744 and \$124,552 for the years ended December 31, 2022 and 2021, respectively.

NEW JERSEY ASSOCIATION OF COUNTIES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(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	\$ 617,972
Accounts Receivable	<u>7,703</u>
Total Financial Assets	\$ 625,675
Donor-imposed restrictions or internal designations:	
Donor-Imposed Restricted Funds	\$ <u>(- 0 -)</u>
Total Donor-imposed restrictions or internal designations	<u>(- 0 -)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 625,675</u>

(8) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through January 10, 2024, 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.