

Annual
Financial Report

of the

New Jersey School Boards Association

for the

Years Ended

June 30, 2019 and 2018

Prepared by

New Jersey School Boards Association

Finance Department

NEW JERSEY SCHOOL BOARDS ASSOCIATION

I N D E X

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08618

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey School Boards Association, as of and for the years ended June 30, 2019 and 2018, 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

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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Jersey School Boards Association, as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the basic financial statements, during the year ended June 30, 2019, the Association adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 and the schedules related to accounting and reporting for OPEB in Schedules S-1 through S-3 identified in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of the New Jersey School Boards Association'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 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 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 New Jersey School Boards Association's internal control over financial reporting and compliance.

September 27, 2019

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



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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08618

We have audited, in accordance with the 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 New Jersey School Boards Association as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise New Jersey School Boards Association's financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Jersey School Boards Association's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of New Jersey School Boards Association's internal control. Accordingly, we do not express an opinion on the effectiveness of New Jersey School Boards Association'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association'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.

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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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey School Boards Association'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 a direct and material effect on the determination of financial statement amounts. 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 27, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

In this section of the annual report, management of the New Jersey School Boards Association (the "Association") presents a narrative discussion and analysis of the Association's financial activities for the years ended June 30, 2019 and June 30, 2018. This section of the report should be read in conjunction with the Association's audited financial statements and supplementary information for the years ended June 30, 2019 and 2018. The Association's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee Clooney & Company, is included in this report.

Financial Highlights

Total assets and deferred outflow of resources at June 30, 2019 were \$19.3 million, a decrease of \$238 thousand from the prior year's total assets of \$19.5 million. The change was comprised of an increase in cash of \$603 thousand, a decrease in accounts receivable of \$5 thousand, and a reduction in property, plant, and equipment and other assets of \$132 thousand, due to depreciation and amortization of these assets of \$480 thousand and additions of \$348 thousand. Additionally, there was a decrease in deferred outflow of resources of \$704 thousand due to changes in the net pension and other post-employment benefit (OPEB) obligations. These transactions are explained in footnotes 1, 6, 8 and 9 and later in this discussion. Current liabilities were \$3.0 million in 2019 and \$1.8 million in 2018. An increase of \$1.2 million was mostly due to an increase of the unpaid portion of the Association Management System (AMS) project invoices of \$84 thousand and an increase in deferred revenue of \$254 as well as the addition of \$815 thousand due to short-term net pension and OPEB obligations. Net pension liabilities decreased \$2.5 million and net OPEB liabilities decreased \$3.7 million, and deferred inflow of resources increased by \$4.9 million due to favorable market investment assumptions.

Membership dues and programs remained almost constant year to year, as well as net membership expenditures.

Overhead expenditures decreased \$319 thousand in 2018-2019. Salaries and benefits increased by \$62 thousand. Pension expense – non-cash portion, decreased to \$379 thousand from \$829 thousand in 2018. The State of New Jersey, Division of Pension and Benefits provides these amounts to us.

The October 2018 net Workshop accounts resulted in an overall increase of 9.4% over the October 2017 Workshop. The largest revenue producing items of registration, commercial exhibits, and sponsorships resulted in an increase in Workshop revenues of 8.5%, while costs increased by 7% due to technology for self-registration stations and additional Wi-Fi throughout the conference center.

Net Fee-Based Services accounted for \$357 thousand, or 18.9%, more than the previous year of \$300 thousand. BoardDocs E-Governance, a successful replacement of the District Manual on the Web, contributed the most to this increase, followed by Manual Writing Services and Superintendent Searches.

Net conference receipts and expenditures increased 29.6% from the previous year, resulting from several new conferences being added.

The iSTEAM and Sustainability area includes \$37 thousand from ACESplus, which is \$15 thousand more than last year. A contribution of \$50,000 was made to Sustainable Jersey which is included in this line item.

Miscellaneous Revenue increased by 21%. The largest contributor to this increase was attributable to TEC (Technology for Careers and Education) fees of \$83 thousand.

Investment income increased 32.4% primarily due to higher interest rates and a higher average investment balance.

Unrestricted cash and Investments of \$6.2 million was \$564 thousand higher in 2019 than in 2018. Cash provided by operating activities was \$725 thousand in 2019 and \$377 thousand in 2018. Cash flows used in investing activities were \$161 thousand in 2019 versus \$303 thousand in 2018.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Association's financial condition and performance. Summary financial statement data, and key financial and operational indicators used in the Association's budget, were used for this analysis.

The financial statements report information about the Association using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and notes to the financial statements.

The Statements of Net Position present the financial position of the Association on a full accrual, historical cost basis. These statements present information on all of the Association's assets and liabilities, with the differences reported as net position. Over time, increases and decreases in net position are indicators of whether the financial position of the Association is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses and Changes to Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets occurs.

Beginning in 2015, the Government Accounting Standards Board (GASB) Statement 68 required state and local governmental entities to disclose their unfunded pension liabilities. The Association participates in the pension plan sponsored by the State of New Jersey, which has a much-publicized, large unfunded liability. Although the Association is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Association employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$14.6 million and \$17.0 million – shown within long-term liabilities – is a significant amount at June 30, 2019 and 2018, respectively. Footnotes 1 and 6 explain the pension plan accounting in detail.

GASB has also issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which is effective for fiscal years beginning after June 15, 2017. This plan is a cost sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding solution. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Association adopted a resolution to provide post-retirement health benefits to employees who retire with 25 years or more of service within the system by December 1, 2001. Eleven retirees meet this requirement and are receiving benefits. One current employee is eligible upon their retirement. The net OPEB liability was \$10.7 million and \$14.4 million – shown within long-term liabilities at June 30, 2019 and 2018, respectively. Footnotes 1, 8 and 9 explain the OPEB plan accounting in detail based on 71 plan members.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Association's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The New Jersey School Boards Association was created by the State of New Jersey N.J.S.A. 18A:6-45 in 1914. The Association is a federation of all of the state's boards of education. Each district is required to pay dues annually to the Association. The mission of the Association is to provide training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

The Association's Associate Membership Program for Charter Schools is designed to help charter school trustees and lead persons successfully carry out their responsibilities in policy, governance, finance and negotiations.

Use of Surplus

The balance of the Future Ready Technology Replacement Fund as of June 30, 2018 was \$242 thousand. During the current year, funds in the amount of \$61 thousand were used for the Office 365 installation and for the purchase of new video equipment. \$100 thousand was transferred from surplus from the original request of funds of \$500 thousand, on November 2017. Also, \$100,000 was transferred to a new fund, the Association Management System (AMS) Fund, leaving a balance of \$181 thousand at June 30, 2019. The AMS Fund was established in January 2019 for the purpose of upgrading our current Association Management System. A task force was formed to recommend an improved AMS in alignment with the goals of the NJSBA 2018-2020 Strategic Plan. After more than a year of study, the task force recommended that NJSBA move from its current Personify AMS, which is being phased out, to a cloud-based system offered by Cobalt, an Arlington Virginia- based company that specializes in systems for associations. In addition to the \$100,000 transfer from the Future Ready Fund, \$235 thousand was approved by the Board of Directors and transferred from the operating fund. We have used \$157 thousand of the appropriation to pay Cobalt for the completed work through June 30, 2019, leaving a balance of \$178 thousand. This project is expected to be completed in the first quarter of 2020. The Building Needs Fund spent \$36 thousand on the chiller replacement project which was started in 2018. A few other projects were also completed during this fiscal year. A Honeywell server upgrade was installed and the exterior of the headquarters was painted. \$100,000 of the operating fund was transferred in November for future needs, leaving a balance of \$99 thousand in this fund.

Contacting the Association's Management

If there are any questions concerning the Association's report or if additional information is needed, please contact Dr. Lawrence S. Feinsod, Executive Director; New Jersey School Boards Association, 413 West State Street, Trenton, New Jersey 08618.

Financial Analysis

The following comparative, condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

CONDENSED FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF NET POSITION

	<u>June 30</u>		<u>Variance</u>	
	<u>2019</u>	<u>2018</u>	<u>Dollars</u>	<u>%</u>
Assets and Deferred Outflow of Resources				
Cash and Cash Equivalents - Unrestricted	\$ 6,199,779	\$ 5,636,114	\$ 563,665	10.0%
Cash - Restricted	111,788	72,371	39,417	54.5%
Accounts Receivable - Net	153,768	158,352	(4,584)	-2.9%
Property, Plant and Equipment - Net	7,983,735	8,175,246	(191,511)	-2.3%
Other Assets	202,297	143,220	59,077	41.2%
Deferred Outflow of Resources	4,604,847	5,308,927	(704,080)	-13.3%
Total Assets and Deferred Outflow of Resources	<u><u>\$ 19,256,214</u></u>	<u><u>\$ 19,494,230</u></u>	<u><u>\$ (238,016)</u></u>	<u><u>-1.2%</u></u>
Liabilities and Deferred Inflow of Resources				
Current Liabilities	\$ 3,001,009	\$ 1,812,372	\$ 1,188,637	65.6%
Long-Term Liabilities	<u>25,297,790</u>	<u>31,443,579</u>	<u>(6,145,789)</u>	<u>-19.5%</u>
Total Liabilities	<u>28,298,799</u>	<u>33,255,951</u>	<u>(4,957,152)</u>	<u>-14.9%</u>
Deferred Inflow of Resources	11,348,235	6,476,809	4,871,426	75.2%
Net Position				
Board Designated	458,208	297,462	160,746	54.0%
Unrestricted - Undesignated	4,022,975	3,900,223	122,752	3.1%
Unrestricted - Net Pension Liability	(15,785,299)	(15,406,779)	(378,520)	2.5%
Unrestricted - OPEB Liability	(17,070,439)	(17,204,682)	134,243	-0.8%
Net Investment in Facilities	7,983,735	8,175,246	(191,511)	-2.3%
Restricted	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>
	<u>(20,390,820)</u>	<u>(20,238,530)</u>	<u>(152,290)</u>	<u>0.8%</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u><u>\$ 19,256,214</u></u>	<u><u>\$ 19,494,230</u></u>	<u><u>\$ (238,016)</u></u>	<u><u>-1.2%</u></u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

CONDENSED FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30		Variance	
	<u>2019</u>	<u>2018</u>	<u>Dollars</u>	<u>%</u>
Membership Dues	\$ 7,112,092	\$ 7,112,000	\$ 92	0.0%
Membership Programs	<u>297,051</u>	<u>302,234</u>	<u>(5,183)</u>	<u>-1.7%</u>
Total Memberships	<u>7,409,143</u>	<u>7,414,234</u>	<u>(5,091)</u>	<u>-0.1%</u>
Membership Expenditures:				
Committees	66,634	70,017	(3,383)	-4.8%
Conferences	40,605	28,189	12,416	44.0%
Membership Services & Programs	192,869	177,393	15,476	8.7%
Publications included with Memberships, Net	19,771	43,847	(24,076)	-54.9%
Travel & Liaison	<u>129,256</u>	<u>132,283</u>	<u>(3,027)</u>	<u>-2.3%</u>
Total Memberships Expenditures	<u>449,135</u>	<u>451,729</u>	<u>(2,594)</u>	<u>-0.6%</u>
Overhead:				
Salaries	5,713,115	5,597,927	115,188	2.1%
Personnel Administration & Training	2,118,608	2,171,950	(53,342)	-2.5%
Pension Expense - non-cash portion	378,520	829,320	(450,800)	-54.4%
Headquarters Housing	391,807	367,242	24,565	6.7%
Amortization & Depreciation Expense	480,167	446,029	34,138	7.7%
Insurance	89,173	86,258	2,915	3.4%
Office Expense	<u>292,582</u>	<u>284,032</u>	<u>8,550</u>	<u>3.0%</u>
Total Overhead Expenditures	<u>9,463,972</u>	<u>9,782,758</u>	<u>(318,786)</u>	<u>-3.3%</u>
Net Memberships	(2,503,964)	(2,820,253)	316,289	-11.2%
Workshop Receipts	2,246,386	2,071,179	175,207	8.5%
Workshop Expenditures	<u>895,942</u>	<u>837,008</u>	<u>58,934</u>	<u>7.0%</u>
Net Workshop	<u>1,350,444</u>	<u>1,234,171</u>	<u>116,273</u>	<u>9.4%</u>
Fee Based Service Receipts	675,506	562,754	112,752	20.0%
Fee Based Service Expenditures	<u>318,214</u>	<u>262,378</u>	<u>55,836</u>	<u>21.3%</u>
Net Fee Based Services	<u>357,292</u>	<u>300,376</u>	<u>56,916</u>	<u>18.9%</u>
Conference Receipts	239,880	191,734	48,146	25.1%
Conference Expenditures	<u>42,774</u>	<u>39,669</u>	<u>3,105</u>	<u>7.8%</u>
Net Conferences	<u>197,106</u>	<u>152,065</u>	<u>45,041</u>	<u>29.6%</u>
Net Publications	23,445	27,607	(4,162)	-15.1%
Net iSTEAM & Sustainability	5,380	59,325	(53,945)	-90.9%
Net Misc. Receipts	156,478	129,333	27,145	21.0%
Net OPEB Expense	134,243	4,936	129,307	2619.7%
Investment Income	<u>127,286</u>	<u>96,109</u>	<u>31,177</u>	<u>32.4%</u>
Net Loss	(152,290)	(816,331)	664,041	-81.3%
Net Position, Beginning of Year	<u>(20,238,530)</u>	<u>(2,212,581)</u>	<u>(18,025,949)</u>	<u>814.7%</u>
Restatement to Include Net OPEB Liability		<u>(17,209,618)</u>	17,209,618	-100.0%
Net Position, Beginning of Year - Restated		<u>(19,422,199)</u>	19,422,199	-100.0%
Net Position, End of Year	<u>\$ (20,390,820)</u>	<u>\$ (20,238,530)</u>	<u>\$ (152,290)</u>	<u>0.8%</u>

BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents - unrestricted	\$ 6,199,779	\$ 5,636,114
Cash - restricted	111,788	72,371
Accounts Receivable	153,768	158,352
Prepaid Expenses	202,297	143,220
<u>Total Current Assets</u>	<u>6,667,632</u>	<u>6,010,057</u>
Fixed Assets:		
Land for HQ	1,686,534	1,686,534
Land	139,040	139,040
Building and Building Improvements	10,625,568	10,575,405
Furniture and Fixtures	864,232	815,111
Computer Hardware and Software	761,132	571,760
Telephone System	38,907	38,907
Automobiles	59,669	59,669
	<u>14,175,082</u>	<u>13,886,426</u>
Less: Accumulated Depreciation and Amortization	<u>(6,191,347)</u>	<u>(5,711,180)</u>
<u>Net Fixed Assets</u>	<u>7,983,735</u>	<u>8,175,246</u>
<u>Total Assets</u>	<u>14,651,367</u>	<u>14,185,303</u>
<u>Deferred Outflow of Resources</u>		
Pension Related	4,520,015	5,306,459
OPEB Related	84,832	2,468
	<u>4,604,847</u>	<u>5,308,927</u>
<u>TOTAL ASSETS AND</u> <u>DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 19,256,214</u>	<u>\$ 19,494,230</u>

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND NET POSITION

	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$ 1,310,974	\$ 370,631
Payroll Taxes	46,684	42,802
Unearned Revenue	1,149,320	894,827
Accrued Vacation Payable	494,031	504,112
<u>Total Current Liabilities</u>	<u>3,001,009</u>	<u>1,812,372</u>
Long-term Liabilities:		
Net Pension Liability	14,557,227	17,043,915
Net OPEB Liability	10,740,563	14,399,664
	25,297,790	31,443,579
<u>Total Liabilities</u>	<u>28,298,799</u>	<u>33,255,951</u>
<u>Deferred Inflow of Resources</u>		
Pension Related	5,012,683	3,669,323
OPEB Related	6,335,552	2,807,486
	11,348,235	6,476,809
<u>Net Position</u>		
Unrestricted - Board Designated:		
Building Needs Allocation	98,579	54,663
Future Ready Technology Replacement	181,508	242,799
Association Management System	178,121	-
Total Unrestricted - Board Designated	458,208	297,462
Unrestricted - Undesignated	4,022,975	3,900,223
Unrestricted - Net Pension Liability	(15,785,299)	(15,406,779)
Unrestricted - OPEB Liability	(17,070,439)	(17,204,682)
Net Investment in Capital Assets	7,983,735	8,175,246
Restricted	-	-
<u>Total Net Position</u>	<u>(20,390,820)</u>	<u>(20,238,530)</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>	<u>\$ 19,256,214</u>	<u>\$ 19,494,230</u>

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Membership Dues	\$ 7,112,092	\$ 7,112,000
Membership Programs	297,051	302,234
Total Memberships	<u>7,409,143</u>	<u>7,414,234</u>
Membership Expenditures:		
Committees	\$ 66,634	\$ 70,017
Conferences	40,605	28,189
Membership Services & Programs	192,869	177,393
Publications included with Memberships, Net	19,771	43,847
Travel & Liaison	129,256	132,283
Total Memberships Expenditures	<u>449,135</u>	<u>451,729</u>
Overhead:		
Salaries	\$ 5,713,115	\$ 5,597,927
Personnel Administration & Training	2,118,608	2,171,950
Pension Expense non-cash portion	378,520	829,320
Headquarters Housing	391,807	367,242
Amortization & Depreciation Expense	480,167	446,029
Insurance	89,173	86,258
Office Expense	292,582	284,032
Total Overhead Expenditures	<u>9,463,972</u>	<u>9,782,758</u>
Net Memberships	\$ (2,503,964)	\$ (2,820,253)
Workshop Receipts	\$ 2,246,386	\$ 2,071,179
Workshop Expenditures	895,942	837,008
Net Workshop	<u>1,350,444</u>	<u>1,234,171</u>
Fee Based Service Receipts	\$ 675,506	\$ 562,754
Fee based Service Expenditures	318,214	262,378
Net Fee Based Services	<u>357,292</u>	<u>300,376</u>
Conference Receipts	\$ 239,880	\$ 191,734
Conference Expenditures	42,774	39,669
Net Conferences	<u>197,106</u>	<u>152,065</u>
Net Publications	\$ 23,445	\$ 27,607
Net iSTEAM & Sustainability	\$ 5,380	\$ 59,325
Net Misc. Receipts	<u>156,478</u>	<u>129,333</u>
Operating Loss	\$ (413,819)	\$ (917,376)
Investment Income	<u>127,286</u>	<u>96,109</u>
Net Loss	<u>(286,533)</u>	<u>(821,267)</u>
Net Position, Beginning of Year	\$ (3,033,848)	\$ (2,212,581)
Net Position, End of Year	<u>\$ (3,320,381)</u>	<u>\$ (3,033,848)</u>

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

NEW JERSEY SCHOOL BOARDS ASSOCIATIONSTATEMENTS OF CASH FLOWFOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Collections from Customers	\$ 11,162,342	\$ 11,289,541
Payments to Vendors and Employees	<u>(10,437,307)</u>	<u>(10,912,403)</u>
Net Cash Provided by Operating Activities	\$ <u>725,035</u>	\$ <u>377,138</u>
Cash Flows from Investing Activities:		
Purchases of Equipment	\$ (288,656)	\$ (399,579)
Interest	<u>127,286</u>	<u>96,109</u>
Net Cash Used in Investing Activities	\$ <u>(161,370)</u>	\$ <u>(303,470)</u>
Net Change in Cash and Cash Equivalents	\$ 563,665	\$ 73,668
Cash and Cash Equivalents, Beginning of Year	\$ <u>5,636,114</u>	\$ <u>5,562,446</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>6,199,779</u></u>	\$ <u><u>5,636,114</u></u>
Reconciliation of Operating Income to:		
Net Cash Provided by Operating Activities:		
Operating Loss	\$ (413,819)	\$ (917,376)
Depreciation	445,129	404,370
Amortization	35,038	4,710
Pension Expense	378,520	829,320
Deferred Compensation	-	36,949
Changes in Operating Assets and Liabilities:		
Accounts Receivable	4,584	(37,020)
Restricted Cash	(39,417)	(26,808)
Prepaid Expenses	(59,077)	7,308
Accounts Payable and Accrued Expenses	119,584	57,982
Other Liabilities	<u>254,493</u>	<u>17,703</u>
Net Cash Provided by Operating Activities	\$ <u><u>725,035</u></u>	\$ <u><u>377,138</u></u>

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The New Jersey School Boards Association (the "Association") was created by the State of New Jersey N.J.S.A. 18A:6-45 in 1914. The Association is a state federation of all district boards of education. Each district is required to annually pay dues to the Association. The mission of the Association is to provide training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

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 26 members as follows:

- a. One from each county of the State, who shall be elected by the district boards of education acting through the school boards association of each county;
- b. Three members elected by the members of the Urban Boards Committee, provided that no member elected pursuant to this subsection be a member of a local board on which another member of the Board of Directors already serves;
- c. One member who shall be appointed by the president with the advice and consent of the Board of Directors, and who shall be a member of a county vocational board of education, provided that no member appointed pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves;
- d. One member elected by the members of the County Association Leadership, provided that no member elected pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves; and
- e. Any board of education member who is elected as an officer or board of directors member of the National School Boards Association, and whose district board of education is in good standing with the Association, shall serve as a non-voting member of the Board of Directors for the duration of his or her NSBA term of office.

Regular members of the Board of Directors other than officers shall be elected or appointed for a term of three years. There is one alternate for each director, selected in the same manner as the director by the same authority, for a three-year term. The officers are elected for a two-year term. Among other duties and authority, the Board of Directors implements the purposes of the Association and exercises general supervision over its affairs, between meetings of the delegates; they adopt the annual budget and approve the annual audit of the Association; and are authorized to transact the business of the Association and enter into contracts on behalf of the Association. There are no additional entities required to be included in the reporting entity, and the Association is not included in any other reporting entity.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Association implemented Governmental Accounting Standards Board (GASB) 68 in 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This statement is effective for periods beginning after June 15, 2014.

The Association has also implemented GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date* – an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity contributes to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

At transition to Statement No. 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 requires that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No.68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, the Association is required to recognize the pension liability in the Statement of Net Position and Notes to the Financial Statements in accordance with GASB No.68. The liability required to be displayed by GASB No. 68 is displayed as a separate line item in the Long-Term Liabilities area of the Statement of Net Position.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, authorities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet. Currently, the unfunded OPEB liability of the Bureau as of June 30, 2019 is not available and the OPEB liability as of June 30, 2018 is presented

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Association has only two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section or deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Association has two items that qualify in this category, deferred amounts related to pensions and OPEB.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the GASB. Proprietary fund revenues and expenses are recognized on the accrual basis. Accordingly, revenues are recognized in the accounting period in which they are earned and become measurable. Membership dues collected in the current fiscal year, which are due in the next fiscal year, are recorded as unearned revenue. Expenses are recognized in the period incurred if measurable. Under GASB Statement No. 34, for financial reporting purposes, the Association is considered a special-purpose government entity engaged only in business-type activities.

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 and the remaining bank balance is covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). Our bank, Investors Bank, is certified by the Department of Banking and Insurance for participation in the GUDPA system.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within 3 months of purchase. Balances may exceed FDIC limits. The Association believes it is not exposed to any significant credit risks.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of various amounts receivable from member boards of education and corporate partners for conferences, fee-based services, advertising, and other member program services. Accounts deemed uncollectible are directly written off.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

Authorized investments include the following:

- a. Certificates of Deposit or other interest-bearing deposits of New Jersey financial institutions, which are certified as Public Depositories for accepting public funds by the State Commissioner of Banking, according to the provisions of the GUDPA. There is no dollar limitation on funds placed in GUDPA depositories.
- b. Money market funds of authorized financial institutions (GUDPA depositories).
- c. The State of New Jersey Cash Management Fund.
- d. Obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

Deferred Pension Cost

The deferred pension cost was amortized on a straight-line method over the 15-year remaining life of the agreement with the State of New Jersey. At June 30, 2019, the deferred pension cost was fully amortized. Amortization expense amounted to \$36,949 for the fiscal year ended June 30, 2018.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Asset lives used in the calculation of depreciation are as follows:

Buildings and Improvements	33 ½ years
Office Equipment	5 years
Furniture and Fixtures	10 years
Telephone System	10 years
Computer Hardware and Software	3 years
Vehicles	3 years

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 a governmental unit as described in Section 170(c) (1) of the Internal Revenue Code and in accordance with Section 115 of the Code, is not subject to income taxes.

(2) CASH – RESTRICTED

The Association's cash restricted accounts consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Trust - ACES	<u>\$111,788</u>	<u>\$ 72,371</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(3) INVESTMENTS

At June 30, 2019 and 2018, the Association's cash was invested in a money market and an interest bearing account.

(4) DESIGNATED NET POSITION

The Association has designated certain funds as restricted by the Board of Directors.

The Strategic Plan Fund was not funded during 2018-2019. The remaining balance of \$5,747 was spent during 2017-2018 on new computer switches.

At the May 2017 Board of Directors meeting, the board unanimously approved a transfer from surplus of \$225,000 into the Building Needs Fund to replace the chiller, which was not replaced during the renovation of the headquarters in 2010. During 2017-2018, we spent \$181,648 for the chiller, \$7,228 for computer switches, and \$22,153 for a new copier, leaving a balance of \$54,663. During 2018-2019, we spent another \$35,968 on the chiller, as well as a Honeywell server upgrade, and the exterior of the headquarters was painted. In addition, in November 2018, the Board of Directors approved a transfer of \$100,000 from the operating fund for future needs, leaving a balance of \$98,579 in the fund.

The Board of Directors approved a one-time expenditure not to exceed \$500,000 from the free balance to a Future Ready Technology Fund to replace/upgrade elements of the Association's technological infrastructure. The Association transferred \$400,000 to the Fund, and during the year used it to replace our desktop and laptop computers. We also purchased software and printers, leaving a balance of \$242,799 at June 30, 2018. During 2018-2019, funds were used for the Office 365 installation and for the purchase of new video equipment. Also, \$100,000 was transferred to a new fund, the Association Management System Fund (AMS), leaving a balance of \$181,508 at June 30, 2019.

The AMS Fund was established in January 2019 for the purpose of upgrading or replacing our current Association Management System. In addition to the \$100,000 transfer from the Future Ready Fund, \$234,688 was approved by the Board of Directors' and transferred from the operating fund. We have used \$156,666 of the appropriation to pay Cobalt, the company selected by the staff task force to replace our current system. The balance of the AMS Fund at June 30, 2019 is \$178,121.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(5) PROPERTY AND EQUIPMENT - GROSS

Property and equipment are summarized as follows for June 30:

	<u>2019</u>	<u>2018</u>
Property and Equipment		
Land in Hamilton, NJ	\$ 1,686,534	\$ 1,686,534
Land in Trenton, NJ	139,040	139,040
Building and Improvements	10,625,568	10,575,406
Furniture and Fixtures	672,353	667,153
Computer Hardware and Software	761,132	571,760
Office Equipment	191,879	147,957
Telephone System	38,907	38,907
Vehicles	<u>59,669</u>	<u>59,668</u>
Total Property and Equipment	<u>\$ 14,175,082</u>	<u>\$ 13,886,425</u>
	<u>2019</u>	<u>2018</u>
Accumulated Depreciation and Amortization		
Building and Improvements	\$ 4,903,014	\$ 4,629,088
Furniture and Fixtures	562,254	495,279
Computer Hardware and Software	500,144	380,306
Office Equipment	127,359	114,726
Telephone System	38,907	38,150
Vehicles	<u>53,669</u>	<u>53,630</u>
Total Accumulated Depreciation and Amortization	<u>6,191,347</u>	<u>5,711,179</u>
Property and Equipment, Net	<u>\$ 7,983,735</u>	<u>\$ 8,175,246</u>

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS

Deferred Compensation Plan

The Association's deferred compensation program is offered to all Association employees. The program was created in accordance with Sections 403(b) and 457 of the Internal Revenue Code. The program is offered by the Association through two program administrators, The Variable Annuity Life Insurance Company ("VALIC") and The Metropolitan Life Insurance Company ("Metlife"). Amounts deferred under this plan are to be held for the exclusive benefit of participating employees and are not accessible by the Association or its creditors.

The Association has a Deferred Compensation Plan pursuant to Section 403(b) of the Internal Revenue Code. The Association does not contribute to the Plan. All amounts deferred under the 403(b) plan are the property of the employee.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

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.

Subsequent legislation has changed the enrollment and retirement criteria for PERS members enrolled as of certain dates and defined them as tiers in the following manner:

Tier 1 – Members who were enrolled prior to July 1, 2007

Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008

Tier 3 - Members who were eligible to enroll on or after November 2, 2008 and on or before May 21, 2010

Tier 4 - Members who were eligible to enroll after May 21, 2010 and before June 28, 2011

Tier 5 - Members who were eligible to enroll on or after June 28, 2011

The minimum retirement age requirement for PERS members is age 60 for Tier 1 and Tier 2 members, age 62 for Tier 3 and Tier 4 members, and age 65 for Tier 5 members. The formula to calculate the maximum annual pension for Tier 1, Tier 2, and Tier 3 is:

$$\frac{\text{Years of Service}}{55} \times \text{Final Annual Average Salary} = \text{Retirement Allowance}$$

The formula to calculate the maximum annual pension for Tier 4 and Tier 5 is:

$$\frac{\text{Years of Service}}{60} \times \text{Final Annual Average Salary} = \text{Retirement Allowance}$$

Final Average Salary for Tier 1, Tier 2, and Tier 3 members means the average salary for the 36 months immediately preceding retirement. For Tier 4 and Tier 5 members the Final Average Salary is the average of their salary for the last 60 months immediately preceding retirement.

The Association made contributions of \$739,587 and \$690,788 to PERS for the fiscal years ended June 30, 2019 and 2018, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2018. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2018.

Public Employees Retirement System (PERS)

At June 30, 2018, the State reported a net pension liability of \$14,557,228 for the Association’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Association’s proportion of the net pension liability was based on a projection of the Association’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Association’s proportion was 0.0 7393396 percent, which was an increase of 0.0007162378 percent from its proportion measured as of June 30, 2018.

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. Chapter 78, P.L. 2011 provided for an increase in the employee contribution rates: from 5.5 percent to 6.5 percent plus an additional 1 percent phased-in over seven years beginning in the first year, meaning after 12 months, after the bill’s effective date for PERS which was June 28, 2011. PERS provides for employee contributions of above mentioned percentages 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.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

Funding Policy for PERS (Continued)

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$1,113,925 for the Association's proportionate share of the total pension expense. The pension expense recognized in the Association's financial statement based on the April 1, 2018 billing was \$678,284.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 75,062	\$ 277,609
Changes of assumptions	4,654,627	2,398,790
Net difference between projected and actual earnings on pension plan investments	136,547	
Changes in proportion and differences between Bureau contributions and proportionate share of contributions	146,447	1,108,212
	<u>\$5,012,683</u>	<u>\$3,784,611</u>

Other local amounts reported by the State as the Association's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ 293,388
2020	52,469
2021	(810,728)
2022	(677,133)
2023	<u>(86,068)</u>
	<u>(\$1,228,072)</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. These actuarial valuations used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.00 percent

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00 at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fund	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Market Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00 as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% for June 30, 2018 and June 30, 2017 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2018		
	1% Decrease 4.66%	At Current Discount Rate 5.66%	1% Increase 6.66%
Association's proportionate share of the pension liability	\$18,304,037	\$14,557,228	\$11,413,895

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(7) EMPLOYEE HEALTH INSURANCE

Contributions by Employees

Participating Association staff members contribute from 10 percent to 35 percent of the total premium cost. In the same law (Chapter 78, P.L. 2011) referred to above in the Funding Policy for PERS section, health care contributions are incrementally changing over time, effective June 28, 2011. This change is determined by type of coverage: single, family, member/spouse/partner/child coverage, and by salary.

In 2019 and 2018, the Association paid \$987,745 and \$959,651 for staff health care premiums. This was offset by contributions of \$236,789 and \$228,369, or 24 percent and 23.8 percent, respectively.

(8) POST RETIREMENT HEALTH INSURANCE

The Association provides post-retirement health benefits to employees who retired with 25 years or more of service within the system by December 1, 2001. Employees with ten (10) or more years of service may also qualify for benefits under the Disability Retirement Provisions of the Plan. Currently eleven retirees meet this requirement and are receiving benefits. In addition, one current employee is eligible upon their retirement.

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>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(8) POST RETIREMENT HEALTH INSURANCE (CONTINUED)

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 the SHBP for the years ended June 30, 2019 and 2018 were \$79,156 and \$111,122, respectively, which equaled the required contributions for each year. Additionally, the Association reimbursed eleven retirees for Part B Federal Medicare premiums, for a cost of \$26,365 and \$21,300 for the years ended June 30, 2019 and 2018, respectively.

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the Association has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health and prescription. Currently, the unfunded OPEB liability and the participating local group as of June 30, 2019 is not available.

Under current New Jersey budget requirements, the Association is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Contributions

The Association's contributions to SHBP for the years ended June 30, 2018, 2017 and 2016 were \$111,122, \$115,845, and \$107,392 respectively, which equaled the required contributions for each year.

Total OPEB Liability

At June 30, 2018, the Plan reported a liability of \$10,740,563 for the Association's proportionate share of the collective net OPEB liability. The total OPEB liability measured as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Association's proportion of the OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

At June 30, 2018, the Association's proportion was 0.068557 percent, which was a decrease of 0.001975 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State reported OPEB expense of \$418,018. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Total OPEB Liability (Continued)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		\$2,180,717
Changes of assumptions		2,724,485
Net difference between projected and actual earnings on OPEB plan investments	\$ 5,676	
Changes in proportion		1,430,350
Association contributions subsequent to the measurement date	79,156	
	<u>\$84,832</u>	<u>\$6,335,552</u>

The \$84,832 reported as deferred outflows of resources related to OPEB resulting from Association contributions subsequent to the measurement date (i.e. for the year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Total OPEB Liability (Continued)

Other local amounts reported by the State as the Association's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2019	(\$1,005,500)
2020	(1,005,500)
2021	(1,005,500)
2022	(1,006,100)
2023	(1,007,069)
Thereafter	<u>(1,300,206)</u>
	<u>(\$6,329,875)</u>

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.50 Percent	2.50 Percent
Salary Increases (based on age)		
Though 2026	1.65-8.98 Percent	1.65-8.98 Percent
Thereafter	2.65-9.98 Percent	2.65-9.98 Percent

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan — the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0% The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(9) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Sensitivity of the Association's Proportionate Share of the OPEB Liability to Changes in
the Discount Rate

The following presents the OPEB liability associated with the Association as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1%	At Current	1%
	Decrease <u>2.87%</u>	Discount Rate <u>3.87%</u>	Increase <u>4.87%</u>
Association's proportionate share of the OPEB liability	\$12,749,823	\$10,740,563	\$9,146,799

Sensitivity of the Association's Proportionate Share of the OPEB Liability to Changes in
Healthcare Trends

The following presents the total OPEB liability associated with the Association as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1%	Healthcare Cost	1%
	Decrease <u> </u>	Trend Rate <u> </u>	Increase <u> </u>
Association's proportionate share of the OPEB liability	\$8,833,075	\$10,740,563	\$13,273,685

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(10) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through June 30, 2021. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2019 are as follows:

	<u>Amounts</u>
Year Ending:	
2020	39,402
2021	16,321
Thereafter	<u>-</u>
Total	<u>\$55,723</u>

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations, amounted to \$40,331 and \$40,621 in 2019 and 2018, respectively.

(11) RELATED ORGANIZATION

The Electric Discount and Energy Competition Act of 1999 designated the New Jersey School Boards Association ("NJSBA") as a "governmental aggregator" for school district purchasing of deregulated electricity and gas. The New Jersey School Boards Association, the New Jersey Association of School Business Officials ("NJASBO"), and the New Jersey Association of School Administrators ("NJASA") signed a formal agreement to co-sponsor the Alliance for Competitive Energy Services, ("ACES") for local school district joint purchasing of electricity and other energy services on the open market. Because of the legal designation of "governmental aggregator", NJSBA is prohibited from realizing excess revenues in its role as a sponsor of ACES. The financial records of ACES are maintained on a calendar-year basis and are subject to independent audit.

Gable Associates of Highland Park, New Jersey, an energy environmental and public utility consulting firm, is under contract to perform the administrative functions of ACES. All fees due to Gable Associates are contingent upon the successful performance of the Alliance in securing and delivering discounted energy.

The NJSBA, NJASBO, and NJASA formed a Trust that agreed to share equally the direct administrative costs and expenses that were incurred by ACES during the startup process.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(12) USE OF SURPLUS

In November 2017, the Board of Directors allowed a one-time expenditure not to exceed \$500,000 to replace/upgrade elements of the technological infrastructure. \$400,000 was transferred to the Future Ready Technology Fund from the free balance. The majority of the money spent from this fund was for new desktop and laptop computers, printers, and software. The balance in this Fund at June 30, 2018 was \$242,799. During the current year, funds were used for the Office 365 installation and for the purchase of new video equipment. Also, \$100,000 was transferred to a new fund, the Association Management System (AMS) Fund, leaving a balance of \$181,508 at June 30, 2019. In addition to the \$100,000 transfer from the Future Ready Fund, \$234,688 was approved by the Board of Directors and transferred from the operating fund surplus. After paying Cobalt during the fiscal year, the company selected by the staff task force to replace our current system, the AMS Fund has a balance of \$178,121 at June 30, 2019. The Building Needs Fund spent \$35,968 during 2018-2019 to complete the chiller replacement. A Honeywell EBI upgrade was installed and the exterior of the headquarters was painted. \$100,000 of the operating fund was transferred in November for future needs, leaving a balance of \$98,579 in this fund.

(13) RESTATEMENT

As stated in Note 9, in 2019, the Association implemented GASB 75. As a result, the Authority's Net Position at June 30, 2018 was restated as follows:

	<u>Governmental Activities</u>
Beginning Net Position 6/30/18	\$ (2,212,581)
Adjustments:	
Recognition of Net OPEB Liability (Measurement Date)	<u>(17,209,618)</u>
Beginning Net Position 6/30/18 (as Restated)	<u><u>\$ (19,422,199)</u></u>

The Unrestricted Net Position balance was restated to properly reflect the Association's Net Position under GASB 75.

(14) 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.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(15) FUTURE COMMITMENTS

The Association has entered into various contracts with vendors and facilities for workshops and conferences extending into the future. The values of these contracts at June 30, 2019 are \$434,184.

(16) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through September 27, 2019 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.

SUPPLEMENTARY INFORMATION

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30,	Association's Proportionate Share of the Net Pension Liability (Asset)	Association's Proportionate Share of the Net Pension Liability (Asset)	Association's Covered-Employee Payroll	Association's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2014	0.0627282930%	\$ 11,744,452	4,519,279	259.87%	40.71%
2015	0.0675394347%	\$ 15,161,250	4,614,496	328.56%	42.74%
2016	0.0694470870%	\$ 20,568,235	5,032,005	408.75%	40.14%
2017	0.0732177222%	\$ 17,043,915	5,088,478	334.95%	36.78%
2018	0.0739339600%	\$ 14,557,228	4,980,783	292.27%	40.45%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Association's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 517,123	\$ 517,123	\$ -0-	4,519,279	11.44%
2015	\$ 580,658	\$ 580,658	\$ -0-	4,614,496	12.58%
2016	\$ 616,958	\$ 616,958	\$ -0-	5,032,005	12.26%
2017	\$ 678,284	\$ 678,284	\$ -0-	5,088,478	13.33%
2018	\$ 735,404	\$ 735,404	\$ -0-	4,980,783	14.76%

41 Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED JUNE 30, 2019

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.58%) to the current measurement date (3.87%), resulting in a change in the discount rate from 5.00% to 5.66%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net OPEB</u> <u>Liability</u>	<u>Authority's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net OPEB</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net OPEB</u> <u>Liability (Asset)</u> as a percentage of it's Covered- <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> as a percentage of the total <u>OPEB Liability</u>
2017	0.0070532%	\$ 14,399,664	\$ 5,088,478	282.99%	1.03%
2018	0.0685570%	\$ 10,740,563	\$ 4,980,783	215.64%	1.97%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2017	\$ 306,728	\$ 306,728	\$ -0-	5,088,478	6.03%
2018	\$ 325,470	\$ 325,470	\$ -0-	4,980,783	6.53%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED JUNE 30, 2019

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 3.58% to 3.87% as of
June 30, 2018.

