

Financial Statements

Essex Regional Health Commission

December 31, 2018

**ESSEX REGIONAL HEALTH COMMISSION
AUDIT REPORT
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Essex Regional Health Commission
Livingston, NJ 07039

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Essex Regional Health Commission (Essex), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Essex'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.

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 entity'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 entity'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 that 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 governmental activities of Essex, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 15-21 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Essex's basic financial statements. The Schedule of Expenditures of Federal and State Financial Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Financial Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, on our consideration of Essex'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 Essex's internal control over financial reporting and compliance.



DeSena & Company

East Hanover, New Jersey
September 16, 2019

ESSEX REGIONAL HEALTH COMMISSION

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Managements Discussion and Analysis Report

The purpose of this statement is to provide management's perspective on the status and fiscal viability of the Commission. It should be read in conjunction with the full text of the annual audit report.

Authority

The Commission is a duly authorized governmental agency established and operating under NJSA 26:3-83et.seq. It is governed by a Board of Commissioners which under NJSA 26:3-92 has the functional authority of a local board of health, including legislative powers to adopt ordinances. The Commission's regional ordinances are applicable to all member municipalities and are enforced by the court of local jurisdiction.

Board of Commissioners

Thirteen of the twenty two municipalities of Essex County are represented by a Commissioner having a single vote. As a public body, the Board meets on a regular basis to set Commission policy, take legislative actions, adopt and/or amend an annual budget and take other appropriate actions. All meetings are duly advertised in accordance with the NJ Open Public Meetings Act.

Management-Staffing

The Commission's Executive Director functions as both the CEO and has full responsibility for the day to day operation of the agency.

The Commission staff presently comprises ten professional/administrative employees with diverse, education, training, and experience in public/environmental health.

Programs and Services

The Commission is a regulatory agency with jurisdiction in two distinct areas:

Environmental Health
Public Health

Environmental Health Programs include those specified under the County Environmental Health Act (CEHA) (NJSA 263A2-21 et. seq.) and the Air Pollution Control Act (NJSA 26:2C-1 et. seq.)

Public health services performed pursuant to our designation by the NJDHSS as the "LINCS" Agency for Essex County include a vast array of functions primarily related to bioterrorism preparedness and response to public health emergencies.

The foregoing programs are conducted in conjunction with both local and state agencies and are subject to extensive reporting requirements.

Financial Status and Assessment of Long Term Operational Liability

The Commission's operational model is somewhat more like a business enterprise than a typical governmental agency. While it is in fact a duly authorized governmental agency, it does not exist by statutory mandate; rather, it functions as a discretionary vendor of service to contracting governmental units such as its member municipalities, the County of Essex, NJDEP, NJDOH and the USEPA. Each relationship is subject to termination on a year to year basis; thus, the viability of the Commission is a function of at least two factors: delivery of a quality service and the annual allocation of available resources by contracting units.

The Commission is able to attain certain economies through the regionalization of services. While this enables the Commission to provide cost efficient programs and services, it has the downside of requiring a critical level of participation in order to sustain such efficiencies.

By Statute a regional health commission is authorized to receive funds from any source. Since the late eighties, the Commission has operated a registration/permit system which generates revenue from sources of air pollution throughout the County. In its original form, the system was adopted by ordinance for purposes of generating the revenue level necessary to continue operations as member municipalities were unable to increase, or perhaps even sustain, contributions at levels sufficient to meet basic program needs. At the time, the revenue system was strongly supported by the NJDEP as an appropriate and efficient means of program support.

Prior to 1995, the Commission was able to increase fee levels as additional funds were required. However, in 1995, there was a radical change in sentiment at the State level as to how and to what extent fee based revenue systems should be operated. Ultimately, in 1995, amendments to the NJ Air Pollution Control Act placed statutory limits on the ability of local, county and regional agencies to charge new fees or increase those in place as of June 15, 1995.

Fees are billed on a standard five year cycle and are accounted for as deferred revenue which is amortized against current revenue on an annual basis. Funds not needed for current operations are invested in the NJ Cash Management Fund.

In addition to the several other sources of revenue reflected in the budget, the Commission maintains a reserve balance which it uses as a separate revenue source to balance the budget. As a general planning guideline, a forward looking projection indicating a reserve balance to be less than the projected gap between appropriations and estimated revenues would indicate a potential structural deficit. This is a key indicator of the Commission's projected fiscal health.

As of 12/31/2018, the Commission's fund balance of the General Fund was \$ 1,491,974.

Projections and Critical Issues

Over the past several years the Commission has dramatically increased its scope of activities. In addition to increased demands on our CEHA Program we have been designated as the LINC/S/BT Programs for Essex County.

If we include each municipality, our operating budget includes over seventeen independent sources of revenue, each to varying degrees vulnerable to abrupt discontinuance. Of these, there several which, if lost, could potentially place our ability to sustain operations in severe jeopardy. Even if all revenue sources remain in place, we are confronting potential issues of under funded contingent liabilities, a capped registration program and a dwindling reserve. Assuming grant funding and registration revenue will either remain constant in nominal dollars, or in fact decrease, increasing reliance would have to be placed upon developing new sources of net revenue or penalty proceeds.

The Commission is quite unique for reasons beyond its basic organizational structure, which in fact is a consortium of municipalities bound together by a joint agreement to provide specialized public/environmental health programs. As indicated above, this in and of itself is not an entirely stable situation. Additionally, at this time only thirteen of the counties twenty two municipalities are members of the Commission and the Commission receives no financial support from the County for general operations.

Contacting the Commission's Management

This financial report is designed to provide a general overview of the Commission's finances, comply with the finance-related laws and regulations, and demonstrate the Commission's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Commission's President Louis Anello, at 204 Hillside Avenue, Livingston, NJ 07039.

**ESSEX REGIONAL HEALTH COMMISSION
FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2018**

	General Fund	Penalty Enforcement Activities	Adjustments	Statement of Net Assets
<u>Assets</u>				
Cash	\$ 59,394	\$ 7,419		\$ 66,813
New Jersey Cash Management Fund	2,298,159	118,472		2,416,631
Prepaid Expenses	570			570
Accounts Receivable Grants & Contracts	298,358			298,358
Accounts Receivable Municipalities	55,006			55,006
Capital Assets Net of Accumulated Depreciation (Note 2)			\$ 492	492
Total Assets	\$ 2,711,487	\$ 125,891	\$ 492	\$ 2,837,870
<u>Liabilities & Reserves</u>				
Accounts Payable	60,166			60,166
Accrued Payroll	9,010			9,010
Payroll Deduction	4,422			4,422
Unexpended Moving Expenses	22,873			22,873
Post Retirement Benefits Reserve	98,781			98,781
Unearned MRC	2,500			2,500
Unearned Registrations	1,021,761			1,021,761
	\$ 1,219,513			\$ 1,219,513
 Fund Balances/Net Assets Unreserved Reported in General Fund	 \$ 1,491,974			
 Reserve reported in Penalty Enforcement Fund		 \$ 125,891		
Total Liabilities & Fund Balances	\$ 2,711,487	\$ 125,891		
<u>Net Assets:</u>				
Invested in Capital Assets				\$ 492
Unrestricted General Fund				1,491,974
Restricted Penalty Enforcement Fund				125,891
Total Net Assets				\$ 1,618,357

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
STATEMENT OF GOVERNMENT FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Environmental Activities	Public Health Activities	Penalty Enforcement Activities	Total	Adjustments Note A	Statement of Activities
<u>Revenues</u>						
Registrations	\$ 340,837					
Municipal	124,403					
County	103,447					
County (105 Grant)	69,428					
Interest	41,220		\$ 3,352			
NJDHSS/CDC 2018/2019		\$ 302,169				
CHEA Fees - EQEF	68,200					
Miscellaneous Income	72					
Total	\$ 747,607	\$ 302,169	\$ 3,352	\$ 1,053,128		\$ 1,053,128
<u>Expenses</u>						
Personnel	\$ 619,520					
Contract	153,575					
Travel	7,175					
Office	10,403					
Other	15,755					
Equipment	5,688					
NJDHSS/CDC 2018/2019		\$ 302,169				
Depreciation/Amortization					\$ 627	
MRC Grant						
Total	\$ 812,116	\$ 302,169	\$ -	\$ 1,114,285	\$ 627	\$ 1,114,912
Excess Expenditures/Revenues	\$ (64,509)	\$ -	\$ 3,352	\$ (61,157)	\$ (627)	\$ (61,784)
<u>Changes in Fund Balances/Net Assets</u>						
Beginning of Year						1,703,387
Prior Period Adjustment- Income & Depreciation						(23,246)
End of Year						<u>\$ 1,618,357</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flow From Operating Activities:		
Excess of Expenditures over Revenues		\$ (61,784)
Prior Year Income		<u>15,742</u>
		\$ (46,042)
Adjustments to reconcile Excess of Expenditures Over Revenues to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	\$ 627	
Increase in Receivables	(59,161)	
Increase in Accounts Payable/Reserves	5,269	
Increase in Accrual & Payroll Deductions	(1,225)	
Decrease in Unearned Registration Fees	<u>(132,919)</u>	
		<u>(187,409)</u>
Net Cash Used by Operating Activities		<u>\$ (233,451)</u>
Net Decrease in Cash & Cash Equivalents		\$ (233,451)
Cash - Beginning of Period		<u>2,716,895</u>
Cash - End of Period		<u>\$ 2,483,444</u>

See accompanying notes to financial statements.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1

The financial statements of the Commission are prepared in accordance with generally accepted accounting principals (GAAP). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, ie.,both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related program liability is incurred.

Note 2

When Capital Assets (equipment) that are to be used in governmental activities are purchased, the cost of those assets are reported as expenditures in government funds. However, the Statement of Net Assets includes those Capital Assets among the assets of the Commission.

Capital Assets have been recorded at cost, and depreciated over their normal useful lives using the straight line method of depreciation:

	Net Balance 12/31/2017	Additions	Net Balance 12/31/2018
Capital Assets	\$ 359,575	\$ 16,254	\$ 375,829
Leasehold Improvement	50,657	-	50,657
	<u>\$ 410,232</u>	<u>\$ 16,254</u>	<u>\$ 426,486</u>
Accumulated Depreciation Amortization/ Leasehold Improvement	(349,629)	(25,708)	(375,337)
	<u>(25,328)</u>	<u>(25,329)</u>	<u>(50,657)</u>
	<u>\$ 35,275</u>	<u>\$(34,783)</u>	<u>\$ 492</u>

Note 3

Essex Regional Health Commission entered into a lease with the Township pf Livingston for the rental of approximately 4,200 square feet of the Senior Community Center (the "Building") located at 204 Hillside Avenue, Livingston, New Jersey. The term of the lease is for five (5) years commencing on December 1, 2010 and ending on November 30, 2015 unless sooner terminated as provided in the lease. At the expiration of the initial term the Lease shall automatically renew for additional one (1) year terms ("Extended Terms") unless terminated by either Landlord or Tenant upon sixty (60) days written notice prior to the end of the initial term or the last extended term. During the first year of the initial term, Essex Regional Health Commission agrees to pay the landlord \$37,800, or \$3,150 a month. Beginning with the rent due on December 1, 2011, the rent to be paid will be calculated in accordance with price indexes listed in Schedule B of the lease. Should the application of this formula result in a percentage increase of less than 1% in the year, Essex Regional Health Commission agrees that there will be a one percent (1%) increase in the rent for the year. In no event will the increase exceed three percent (3%) in the year.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4

On September 30, 2018, the Commission entered into a lease agreement with Xerox for a copier with a lease term of 60 months at \$111.91 per month. The following is a schedule of future minimum lease payments due over the next 5 year period:

2019	\$1,343
2020	1,343
2021	1,343
2022	1,343
2023	<u>1,007</u>
	<u>\$6,379</u>

On February 2, 2018, the Commission entered into a lease agreement with Pitney Bowes for a postage meter with a lease term of 24 months at \$19.95 per month. The following is a schedule of future minimum lease payments due over the next 2 year period:

2019	\$239
2020	<u>20</u>
	<u>\$259</u>

Note 5

An Interlocal Services Agreement was signed on March 14, 2011 between the Township of Livingston and the Commission. Under the terms of this agreement the Commission shall institute and prosecute violations of the "Air Pollution Control Code of the Essex Regional Health Commission" in the Municipal Court of the Township of Livingston. The Township shall collect all fines associated with the violations of the Ordinance. Livingston shall keep 50% of the penalties or fines collected. The other 50% shall be paid over to the Commission. The Commission shall pay all legal fees necessary to prosecute all Ordinance violations out of its portion. On December 11, 1998 the Commission adopted a resolution establishing the disposition of penalty proceeds received from the Environmental Court. All penalty proceeds collected by the Commission will be maintained in the custody of the Commission and be utilized for purposes deemed appropriate by the Board. The term of the agreement is from June 1, 2011 to May 31, 2021, and may be extended for further periods of ten (10) years upon mutual agreement by the governing bodies of Livingston and the Commission. Either party may, at any time, cancel this agreement upon 60 days written notice to the other party. Payments due the Commission are to be paid by Livingston on a quarterly basis beginning September 2011.

Note 6

Registration and Certification Fees are recognized ratably over the registration period from January 1, 2018 to December 31, 2018. Registration fees collected during the twelve month period of January 1, 2018 to December 31, 2018 were collected for the 2018 registration period and income was recognized thru December 31, 2018.

Note 7

In the normal course of operations the Commission receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8

As of February 1, 2018 the Commission was extended a line of credit by PNC Bank, NA in the amount of \$200,000. The initial rate of interest was 6.25% with the line of credit expiring February 1, 2020.

Note 9

Substantially all of the Commission's employees participate in the Public Employee's Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employee Retirement System is considered a cost sharing multiple employer plan. 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 State of New Jersey legislation. PERS provides for employee contribution of 7.5%, as of 7/1/18, of employees annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for the cost-of-living adjustments and noncontributory death benefits. The commission offers a 457(b) Deferred Compensation Plan to its employees. Under this plan employee contributions are made pre-tax and are accumulated tax deferred. The plan is administered by Valic Retirement Services and AXA.

The Commission's Employees participate in the State of New Jersey's Health Insurance Plan. As of July 15, 2014 contributions will be based on percentage of salary range and the plan selected. Employee contributions are pre-tax under a Section 125 plan.

Note 10

In June of 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. The Commission adopted GASB Statement 34 for the year ended 12/31/04.

Note 11

On May 15, 2019, the County of Essex through Essex County Health Department, designated as the CEHA entity entered into an agreement with Essex Regional Health Commission to provide for the provision of the programs for the control of air, noise and water pollution, solid waste and pesticide control and motor vehicle idling. This one year agreement from July 1, 2018 (retroactive) through June 30, 2019 includes a quarter year of solid waste enforcement actions and the maintenance of documents required under the Community Right to Know Act regarding the public disclosure of hazardous waste. The following are the contract amounts:

Air Service	\$72,570
Idling Service	6,000
Solid Waste	17,500
EPA (105)	<u>69,430</u>
Total	<u>\$165,500</u>

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 11 (Continued)

The Commission shall deposit all fees, fines and penalties collected into the Certified Agency's EQEF Account (Essex County). All penalty proceeds from CEHA related enforcement actions will be paid to the Commission net of the following administrative charges, which shall be retained by the County; 20% for all penalty actions and 30% for actions adjudicated or settled in the Superior Court.

Note 12

Contracts for Service and Grant Agreement Contracts:

The Commission has entered into Contracts for Services with:

NJ Dep of Health & Senior Service		
Public Health Emergency Preparedness	7/1/18-6/30/19	\$151,963
NJ Dep of Health & Senior Service		
Public Health Emergency Preparedness	7/1/19-6/30/20	148,005
Essex County CEHA	7/1/18-6/30/19	96,070
Essex County (105 Grant)	7/1/18-6/30/19	69,430
Essex County CEHA	7/1/18-6/30/20	96,070
Essex County (105 Grant)	7/1/19-6/30/20	69,430
Municipal Agreement	1/1/19-12/31/19	<u>124,403</u>
Total		<u>\$755,371</u>

Note 13

Other

As of December 31, 2018, the Commission had uninsured cash balances totaling \$2,416,631 in the New Jersey Cash Management Fund. Other operating cash accounts deposited in banks may also go over the FDIC insured limit of \$250,000 when reimbursement checks are received from the State of New Jersey.

Note 14

Other Post-Employment Benefits ("OPEB")

The Commission 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. 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 SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. On October 8, 2013, the Commission authorized through resolution to adopt the provisions of NJS.A 52:14.17.38 under which a public Employer may agree to pay for the SHBP coverage of certain retirees and recommended completion of the Resolution Addendum –Ch.48, P.L. 1999 based upon the July 30, 2013 recommendation of the Post Retirement Committee.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 14 (Continued)

Other Post-Employment Benefits (“OPEB”) (Continued)

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: www.state.nj.us/treasury/pensions/gasb-43-sept 2008.pdf

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP will be billed to the Commission on a monthly basis.

Note 15

On January 19, 2017, Essex Regional Health Commission entered into an agreement with Hudson Regional Health Commission, where by Hudson Regional Health Commission was to provide the services of a Chief Financial Officer and Qualified Purchasing Agent. The terms of this Agreement shall be automatically extended for successive one (1) year periods unless renegotiated or terminated by either party. Payments under this contract are to be paid quarterly in the amount of \$8,750.00 (\$35,000.00 annually).

On April 1, 2014, Essex Regional Health Commission entered into an agreement with Hudson Regional Health Commission, where by Hudson Regional Health Commission was to provide the services of a licensed health officer who will administer all Commission agency activities. All the Commission’s activities shall meet “Public Health Practice Standards of Performance for the Local Boards of Health in N.J. (N.J. A.C. 8:52)”. The terms of the Agreement shall be automatically extended for successive (1) year periods unless renegotiated or terminated by either party. Payments under this contract are to be paid quarterly in the amount of \$16,117 per calendar quarter (\$64,468 annually).

SUPPLEMENTARY INFORMATION

**ESSEX REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2018**

	Budgeted Original	Amounts Final	Actual Amounts Budgetary Basis (See Note A)
<u>Category</u>			
<u>Personnel</u>			
Salaries	\$ 415,306	\$ 392,848	\$ 392,847
Part Time	75,141	45,102	44,697
Overtime - CEHA/Idling	7,500	5,000	4,347
Overtime - On Call	20,000	6,000	4,612
	<u>\$ 517,947</u>	<u>\$ 448,950</u>	<u>\$ 446,503</u>
<u>Fringe</u>			
FICA	\$ 36,744	\$ 34,318	\$ 33,064
PERS	86,000	68,000	58,339
Medical	61,100	57,000	54,864
Retiree Benefits Health	6,100	6,100	5,674
Workers Comp.	17,000	17,000	15,407
Dental	5,000	4,500	3,871
Unemployment	2,430	2,100	1,798
	<u>\$ 214,374</u>	<u>\$ 187,018</u>	<u>\$ 173,017</u>
Total Personnel & Fringe	<u>\$ 732,321</u>	<u>\$ 635,968</u>	<u>\$ 619,520</u>
<u>Contract</u>			
Hudson Regional	\$ 75,521	\$ 78,394	\$ 78,395
Legal	6,000	6,000	5,682
Office Rental	31,500	31,500	29,316
Office Cleaning	9,000	9,000	6,716
Auditor	16,900	16,900	18,840
Insurance	13,000	13,700	12,867
ADP	2,500	2,500	1,759
	<u>\$ 154,421</u>	<u>\$ 157,994</u>	<u>\$ 153,575</u>
<u>Travel</u>			
Gas	\$ 3,000	\$ 3,000	\$ 2,395
Gas Mileage Reimbursement	1,500	1,500	335
Auto Maintenance	5,000	5,000	4,445
	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 7,175</u>
<u>Office</u>			
Office Supplies/Printing	\$ 5,000	\$ 5,000	\$ 3,328
Postage	5,000	5,000	3,907
Legal Advertising	1,000	1,000	-
Publications/Subscriptions	300	583	583
Copier Lease	3,000	3,000	1,687
Cooler Rental	1,000	1,000	898
Office Equipment	3,000	4,500	-
	<u>\$ 18,300</u>	<u>\$ 20,083</u>	<u>\$ 10,403</u>
<u>Other</u>			
Telephone/Pagers	\$ 8,000	\$ 8,000	\$ 5,946
Medical Surveillance	1,200	1,200	-
Bank Service Charges	500	500	265
Record Destruction	5,000	5,000	-
Conventions/Meeting	15,000	15,000	9,433
Miscellaneous	3,000	3,000	111
	<u>\$ 32,700</u>	<u>\$ 32,700</u>	<u>\$ 15,755</u>
<u>Equipment</u>			
Equipment	\$ 5,000	\$ 5,000	\$ 3,011
Protection/Containment	2,500	2,500	485
Equipment Maintenance	3,000	3,000	2,192
	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 5,688</u>
CDC Grant 2018	\$ 148,004	\$ 158,124	\$ 158,124
CDC Grant 2019	-	144,044	144,045
	<u>\$ 148,004</u>	<u>\$ 302,168</u>	<u>\$ 302,169</u>
<u>Total</u>	<u>\$ 1,105,746</u>	<u>\$ 1,168,913</u>	<u>\$ 1,114,285</u>
<u>Estimated Revenue</u>			
Municipal Assessments	\$ 124,403	\$ 124,403	\$ 124,403
ERHC EQEF Fund	50,000	87,000	68,200
CDC Grant 2018	141,002	158,124	158,124
CDC Grant 2019	145,213	144,044	144,045
Deferred Revenue R&C	-	335,749	340,837
Essex County (CEHA/105)	194,000	176,250	172,875
Reserve	536,995	143,343	143,343
<u>Total</u>	<u>\$ 1,191,613</u>	<u>\$ 1,168,913</u>	<u>\$ 1,151,827</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
BUDGET TO GAAP RECONCILIATION GENERAL FUND
DECEMBER 31, 2018**

Note A - Explanation of Differences between
Budgetary Inflows and GAAP Revenues & Expenditures

		<u>General Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual Amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule		\$ 1,151,827
<u>Difference - Budget to GAAP</u>		
Reserve appropriation is not considered a current year revenue for financial reporting purposes		(143,343)
Revenues considered a current year revenue for financial reporting purposes:		
Rounding	\$ 72	
Interest Income	41,220	
Interest Penalty Enforcement Fund	3,352	44,644
Total Revenues as reported on Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,053,128</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from Budgetary Comparison Schedule		\$ 1,114,285
<u>Differences - Budget to GAAP</u>		
Governmental Funds report Capital Outlay as expenditures. However in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period.		<u>627</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,114,912</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE
DECEMBER 31, 2018**

Essex County EQEF	\$ 33,924
Essex County CEHA & 105 Grant	120,389
State of New Jersey- CDC 2018/2019	<u>144,045</u>
Total	<u><u>\$ 298,358</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF ACCOUNTS RECEIVABLE MUNICIPALITIES
DECEMBER 31, 2018**

Cedar Grove	\$ 3,038
Belleville	7,146
Irvington	10,597
Millburn	3,691
Newark	20,570
Orange	8,086
West Caldwell	<u>1,878</u>
Total	<u><u>\$ 55,006</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number Contract Number	Program or Award Amount	Federal Revenue Recognition	Expenditures	
				2018	2017
<u>Federal Awards</u>					
<u>NJ State DEP Section 105 Grants</u>					
<u>County Essex CHEA Grant</u>					
7/1/18 - 6/30/19	66.001	\$ 69,428	\$ 34,714	\$ 34,714	\$ -
7/1/17 - 6/30/18	66.001	\$ 69,428	69,428	34,714	34,714
<u>New Jersey Department of Health</u>					
<u>Hiper-Lincs Agencies</u>					
7/1/17-6/30/18	93.069	\$ 296,009	296,008	158,124	137,884
7/1/18-6/30/19	93.069	\$ 296,009	144,045	144,045	-
<u>Medical Reserve Corp.</u>					
2/12/18-8/31/18	93.08	\$ 2,500	2,500	-	-
 Total			<u>\$ 546,695</u>	<u>\$ 371,597</u>	<u>\$ 172,598</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
PHILEP (LINCS AGENCIES) 2018
PHLP18LNC023
YEAR ENDED DECEMBER 31, 2018**

<u>Term 7/1/17 - 6/30/18</u>	<u>Final Approved Budget</u>	<u>Expenditures 2017</u>	<u>Expenditures 2018</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
<u>Cost Category</u>					
Salaries & Wages	\$ 173,264	\$ 96,421	\$ 102,752	\$ 199,173	\$ -
Fringe Benefits	26,818	13,945	15,251	29,196	-
Office Expenses & Related Costs	6,300	2,118	6,608	8,726	-
Program Expenses & Related Costs	11,200	2,791	9,918	12,709	-
Travel, Conferences & Meetings	2,600	1,310	1,990	3,300	-
Consultant/Professional	60,106	13,453	13,453	26,906	-
Facility Cost	<u>15,721</u>	<u>7,846</u>	<u>8,152</u>	<u>15,998</u>	<u>-</u>
 Total	 <u>\$ 296,009</u>	 <u>\$ 137,884</u>	 <u>\$ 158,124</u>	 <u>\$ 296,008</u>	 <u>\$ -</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
PHILEP (LINC AGENCIES) 2018
PLP17LNC018
YEAR ENDED DECEMBER 31, 2018**

<u>Term 7/1/18-6/30/19</u>	<u>Final Approved Budget</u>	<u>Expenditures 2018</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
<u>Cost Category</u>				
Salaries & Wages	\$ 207,462	\$ 101,300	\$ 101,300	\$ -
Fringe Benefits	35,942	17,476	17,476	-
Consultant/Professional Services	21,160	10,580	10,580	-
Other	10,700	4,800	4,800	-
Travel, Conferences & Meetings	2,736	984	984	-
Facility Cost	18,009	8,905	8,905	-
Total	<u>\$ 296,009</u>	<u>\$ 144,045</u>	<u>\$ 144,045</u>	<u>\$ -</u>

See accompanying notes to financial statements

INDEPENDENT AUDITOR'S REPORTS



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

To the Board of Commissioners
Essex Regional Health Commission
Livingston, NJ 07039

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 the governmental activities of Essex Regional Health Commission (Essex), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Essex's basic financial statements, and have issued our report thereon dated September 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Essex's internal 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 Essex's internal control. Accordingly, we do not express an opinion on the effectiveness of Essex'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 entity'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.

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 Essex'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DeSena & Company

East Hanover, New Jersey

September 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Part 1 - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? __yes Xno __n/a
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? __yes Xno __n/a
- C) Noncompliance material to general purpose financial statements noted? __yes Xno __n/a

Federal Awards Section

- D) Material weakness(es) identified? __yes Xno __n/a
- E) Were significant deficiencies identified that were not considered to be material weaknesses? __yes Xno __n/a
- F) Programs Tested:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.001	NJ State DEP Section 105 County Essex CHEA Grant
93.069	NJ Dept. Of Health Hiper Lincs Agencies

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Part 1 - Summary of Auditor's Results (Continued)

State Awards Section

G) Material weakness(es) identified? __yes X no __n/a

H) Were reportable condition(s) identified that were not considered to be material weaknesses? __yes X no __n/a

I) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? __yes X no __n/a

J) Programs tested:

Contract Number(s)
N/A

Name of State Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Part 2 - Schedule of Financial Statement Findings

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

*Part 3 - Schedule of Federal and State Award Findings
And Questioned Costs*

NONE