

Financial Statements

Essex Regional Health Commission

For the Year Ended December 31, 2021

**ESSEX REGIONAL HEALTH COMMISSION
AUDIT REPORT
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Essex Regional Health Commission (Commission), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of December 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4–12 and 34–35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the Commission'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 solely 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 the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.



DeSena & Company

East Hanover, New Jersey

December 19, 2022

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

The discussion and analysis of the Essex Regional Health Commission financial performance provide an overall review of the Commission's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year (December 31, 2021) and the prior year (December 31, 2020) is required to be presented in the MD&A.

Financial Highlights

Key Financial highlights for 2021 are as follows:

In the Commission Statements:

- General revenues accounted for \$855,125 in revenue or 63 percent of all revenues. Program specific revenues in the form of charges for services and operating grants accounted for \$494,003 or 37 percent of total revenues of \$1,349,128.
- Total assets of governmental activities increased by \$320,437. Cash and cash equivalents increased by \$310,903. Capital assets increased by \$9,334.
- The Commission had \$1,269,750 in expenses; \$494,003 of these expenses were offset by program specific charges for services and operating grants. General expenses amounted to 775,747.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Commission, presenting both an aggregate view of the Commission's finances and a longer-term view of those finances.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

Reporting the Commission as a Whole

Statement of Net Position and the Statement of Activities

While this document contains most of the funds used by the Commission to provide programs and activities, the view of the Commission as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in net position. This change in net position is important because it tells the reader that, for the Commission as a whole, the financial position of the Commission has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include changes in economic conditions, population growth, development and new or changed government regulation.

In the Statement of Net Position and the Statement of Activities, the Commission has one kind of activity:

- Governmental activities – All of the Commission's programs and services are reported here.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements. The notes to the financial statements can be found immediately following the Commission's financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

The summary of changes in net position shows changes in net position for fiscal year 2021. In accordance with GASB Statement 34, revenue and expense comparisons to year 2020 is presented

<u>Summary of Changes in Net Position</u>				
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Registrations	\$ 479,096	\$ 441,064	\$ 38,032	9%
Municipal	124,405	124,403	2	0%
County	147,613	150,629	(3,016)	-2%
County (105 Grant)	69,428	69,428	-	0%
Interest	574	10,625	(10,051)	-95%
MRC	-	353	(353)	-100%
CHEA Fees - EQEF	32,411	79,020	(46,609)	-59%
Miscellaneous	1,598	622	976	157%
Public Health Activities	494,003	444,148	49,855	11%
Total Revenues	\$ 1,349,128	\$ 1,320,292	\$ 28,836	
<u>Expenses</u>				
Personnel	\$ 578,430	\$ 627,458	\$ (49,028)	-8%
Contract	171,705	157,188	14,517	9%
Travel	8,760	11,195	(2,435)	-22%
Office	15,662	8,439	7,223	86%
Other	8,254	6,993	1,261	18%
Equipment	2,470	47,053	(44,583)	-95%
Public Health Activities	494,003	444,148	49,855	11%
Depreciation	13,323	2,895	10,428	360%
Assets Capitalized	(22,857)	(55,180)	32,323	-59%
MRC	-	353	(353)	-100%
Total Expenses	\$ 1,269,750	\$ 1,250,542	\$ 19,208	
Change in Net Position	\$ 79,378	\$ 69,750	\$ 9,628	
Beginning Net Position	1,774,165	1,703,959	70,206	4%
Rounding	-	(5)	5	-100%
Fixed Asset Adjustment	-	461	(461)	-100%
Ending Net Positions	\$ 1,853,543	\$ 1,774,165	\$ 79,378	

Note - The Governmental activities increased the Commission's net position by \$79,378.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

The Commission as a Whole

The Statement of Net Position provides the perspective of the Commission as a whole. Net position may serve over time as a useful indicator of the Commission's financial position. The Commission's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The statement below provides a summary of the Commission's net position for 2021. In accordance with GASB Statement 34, net position comparisons for the year 2020 are presented.

	<u>Summary Statement of Net Position</u>			
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Assets</u>				
Current & Other	\$2,654,401	\$2,343,498	\$ 310,903	13%
Capital Assets Net	62,477	52,943	9,534	18%
Total Assets	\$2,716,878	\$2,396,441	\$ 320,437	
<u>Liabilities</u>				
Current Liabilities	\$ 79,958	\$ 181,212	\$(101,254)	-56%
Unearned Registrations	682,312	441,064	241,248	55%
Total Liabilities	\$ 762,270	\$ 622,276	\$ 139,994	
<u>Net Position</u>				
Unassigned	\$1,760,525	\$1,589,113	\$ 171,412	11%
Assigned	132,106	132,109	(3)	0%
Capital Assets	62,477	52,943	9,534	18%
Total Net Positions	\$1,955,108	\$1,774,165	\$ 180,943	
Total Liabilities & Net Positions	\$2,717,378	\$2,396,441	\$ 320,937	

Note - Net Position may be a useful indicator of the Commission's financial position over time. In the case of the Commission, assets exceeded liabilities by \$1,955,108.

The assigned position of the Commission's net position, represents net position that can be expended by authorization of the Board of Commissions.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

General Fund Budgeting Highlights

The Commission prepares and adopts an annual budget. The budget is designed to demonstrate that the cash flows of the Commission for the coming year will be sufficient to cover operating expenses.

Over the course of the year the Commission revised the annual operating budget as needed. Revisions in the budget were made to reorganize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

The following table provides a 2021 budgetary comparison:

	<u>Budgetary Comparison</u>		
	<u>Budget as Modified</u>	<u>Actual</u>	<u>Favorable (unfavorable)</u>
<u>Revenues</u>	<u>\$1,374,731</u>	<u>\$1,348,554</u>	<u>\$(26,177)</u>
<u>Expenditures</u>			
Personnel	\$611,576	\$578,430	\$33,146
Other Expenses	<u>763,155</u>	<u>700,818</u>	<u>62,337</u>
Total	<u>\$1,374,731</u>	<u>\$1,279,248</u>	<u>\$95,483</u>
Excess Revenues Over Expenditures	=	<u>\$69,306</u>	<u>\$69,306</u>

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

Capital Assets

At the end of December 31, 2021 the Commission had \$62,477 invested in capital assets. The schedule shows the year 2021 balance compared to 2020.

	Capital Assets at December 31	
	<u>2021</u>	<u>2020</u>
Automotive	\$68,975	\$68,975
Leasehold Improvements	50,657	50,657
Furniture & Fixtures	12,068	-
Equipment	132,232	132,232
Office Computer Equipment	213,902	203,114
Rounding	4	3
Total	\$62,477	\$52,943

Overall capital assets increased \$22, 856 from 2020 to 2021. For more information please refer to the notes

Economic Factors and Next Year's Budgets and Rates

Essex Regional Health Commission BUDGET JUSTIFICATION 2022

The 2022 Budget of \$1,282,347 reflects an overall increase of \$102,817 which is about 11.875% when compared to 2021 Budget. This is due to the fact that personnel costs increased by \$87,864, contract category increased by \$14,953, while other cost category remained the same. This budget increase is due to the fact that 2022 budget anticipates only 6 months of Grant funding and Municipalities Agreements while 2021 reflects full year of funding from the Strengthening LPH Grant, 9 months funding from the Overdose Grant, and 6 months funding from the Municipalities Agreements.

Increases/Decreases are summarized below.

Salary: Increase \$72,530: Increase is due to the fact that 2022 budget anticipates only 6 months of Agreements and Grants funding while 2021 reflects entire year funding from the Strengthening LPH Grant, 9 months funding from the Overdose Grant, and 6 months of Municipality Agreements; there are no employees due for level increase or longevity adjustment in 2022.

Overtime/Overtime Idling/On Call: Decrease (\$715): Decrease on this category is mainly due to CEHA Idling Program anticipated for only 6 months in 2022 while 2021 reflects a full year and increase to CEHA/Solid Waste's overtime in 2022.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

Payroll Taxes: Decrease (\$3,548): Payroll taxes are directly related to the amount reflected under the employee's compensation (FICA 7.65% and SUI 0.8%). The Payroll Tax calculation formula reflects FICA tax exemption for the employees' health insurance contribution portion of the bill (2022 contribution estimated to be \$24,329).

Health Benefit: Increase \$12,622: Amount budgeted under this category was based on the previous year experience. There was a 1.82% premium increase in 2021 when compared 2021 bill to 2020 bill. The 2022 budget anticipates only 6 months of Grants funding while 2021 reflects 12 months funding from the Strengthening LPH grant, 9 months from Overdose Grant, and 6 months from Municipalities Agreements.

Retiree Health Benefit: Increase \$417; There is only one employee under this policy. The employee retired 3/1/17. Increase under this category is due to an 11.25% rate increase in 2021. The 2022 budget figure was based on 2021 actual bill amount plus an anticipated increase of 11%. There is no new enrollment anticipated in 2022.

Dental: Increase \$491: Increase in this category was based on the previous year experience. The 2022 budget figure was based on 2021 actual bill amount, no premium increase anticipated in 2022. The 2022 budget anticipates only 6 months of Grants funding while 2021 reflects 12 months funding from the Strengthening LPH grant, 9 months from Overdose Grant, and 6 months from Municipalities Agreements.

Workers Compensation: Decrease (\$313): Amount budgeted under this category was based on the previous year experience. There was a premium decrease from 2020 to 2021. The 2022 budget anticipates only 6 months of Grants funding while 2021 reflects 12 months funding from the Strengthening LPH grant, 9 months from Overdose Grant, and 6 months from Municipalities Agreements.

P.E.R.S: Increase \$6,380: Public Employee Retirement System is at 100% of contribution. There was a 14% increase in the PERS bill when comparing the 2020 and 2021 actual bills due to the addition of one employee to the policy. The 2022 budget anticipates a 2% increase and only 6 months of Grants funding while 2021 reflects 12 months funding from the Strengthening LPH grant, 9 months from Overdose Grant, and 6 months from Municipalities Agreements.

All Other Budget Categories: Increase \$14,953: All other budget categories were calculated based on previous year experience. When comparing 2021 Budget "other cost" to 2022 Proposed Budget "other cost" there is an overall Increase of \$14,953. This is due to:

- An increase under auditor and HRHC categories of \$12,916, this is due to the fact that the 2022 budget only anticipates 6 months of Strengthening Grant to help cover the Director and Auditor contracts while 2021 reflects 12 months funding from the Strengthening LPH grant, 9 months from Overdose Grant, and 6 months from Municipalities Agreements
- An increase under office rental of \$246 due to a 1.24% increase when comparing 2020 to 2021 bill.
- A decrease under office cleaning of (\$881) which is due to an extra bill in 2021 for disposal of old furniture that is not anticipated in 2022.
- An increase of \$2,672 under insurance due to an increase in premium of 12.919% when comparing 2020 bill to 2021 bill.

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

REVENUE INCREASE/DECREASE:

The Commission's revenue portion of the budget is as follows: 2022 Commission's Budget reflects an overall increase of \$102,817 which is about 11.875% when compared to 2021 Budget. Decrease/Increase as follow:

- The 2022 Deferred Revenue R&C category decreased by (\$173,803) due to R&C registration new cycle (2022-2026) and being the first year of the new cycle;
- County/Idling/Solid Waste decrease of (\$108,653) the 2022 budget is only anticipating 6 months of the County's Agreement while 2021 budget is anticipating the full 12 months.
- The Reserve category was increased by \$390,105 this amount was required to balance the appropriations, this is due to the fact that the 2022 budget anticipates only 6 months of Grants funding, County's Agreements and first year of R&C registration cycle, while 2021 budget reflects 12 months funding from the County's agreement & the Strengthening LPH grant, 9 months from Overdose Grant, 6 months from Municipalities Agreements and last year of the R&C Registration cycle.
- EQEF increase of \$4,168 per fund balance in 8/2021,
- Misc. Revenue decrease of (\$9,000) due to interest rate decline in 2020 & 2021.

Appropriations

Personnel	\$697,149
Contractual	203,677
Office	18,350
Travel	21,300
Equipment	10,500
Other	17,700
Grant Program	<u>313,671</u>
Total Appropriations	<u>\$1,282,347</u>

**ESSEX REGIONAL HEALTH COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

Revenue

Sufficient revenue must be raised from various sources to support the annual spending plan. Revenues used to support the 2022 Budget are summarized below:

<u>Revenue Sources</u>	
Local Revenues (Municipal & County)	\$124,403
ERHC EQEF	54,168
Local Court Penalty (Source R&C)	-
Deferred Revenue R&C	289,000
Miscellaneous Revenue	2,000
Municipal Agreement (COVID)	168,150
Reserve	<u>390,105</u>
Total	<u>\$1,027,826</u>
State (CEHA) Revenues	\$74,285
Federal (EPA 105/SLPH COVID)	<u>180,236</u>
Total Revenues	<u>\$1,282,347</u>

Contacting the Commission

This financial report is designed to provide a general overview of the Essex Regional Health Commission finances for all of those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Essex Regional Health Commission, 204 Hillside Avenue, Livingston NJ 07039.

ESSEX REGIONAL HEALTH COMMISSIONS
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
DECEMBER 31, 2021

	General Fund	Penalty Enforcement Activities	Total	Adjustments	Statement of Net Position
Assets					
Current Assets					
Cash	\$ 129,824	\$ 1,921	\$ 131,745	\$ -	\$ 131,745
New Jersey Cash Management Fund	1,895,220	130,185	2,025,405	-	2,025,405
Accounts Receivable Grants & Contracts	426,229	-	426,229	-	426,229
Accounts Receivable Municipalities	31,786	-	31,786	-	31,786
Prepaid Expense	1,235	-	1,235	-	1,235
Other Receivables	3,763	-	3,763	-	3,763
Capital Assets Net of Accumulated Depreciation (Note 2)	-	-	-	62,477	62,477
Total Current Assets	\$ 2,488,057	\$ 132,106	\$ 2,620,163	\$ 62,477	\$ 2,682,640
Long Term Assets					
Accounts Receivable Municipalities	34,738	-	34,738	-	34,738
Deferred Outflows:					
Pension Related	\$ -	\$ -	\$ -	\$ 73,202	\$ 73,202
OPEB Related	-	-	-	359,575	359,575
Total Deferred Outflows	\$ -	\$ -	\$ -	\$ 432,777	\$ 432,777
Total Assets	\$ 2,522,795	\$ 132,106	\$ 2,654,901	\$ 495,254	\$ 3,150,155
Liabilities					
Accounts Payable	\$ 65,703	\$ -	\$ 65,703	\$ -	\$ 65,703
Accrued Payroll	4,640	-	4,640	-	4,640
Payroll Deductions	9,036	-	9,036	-	9,036
Unearned MRC	579	-	579	-	579
Unearned Registrations	682,312	-	682,312	-	682,312
	\$ 762,270	\$ -	\$ 762,270	\$ -	\$ 762,270
Long Term Liabilities					
Net Pension Liability	\$ -	\$ -	\$ -	\$ 833,381	\$ 833,381
Net OPEB Liability	-	-	-	1,377,941	1,377,941
	\$ -	\$ -	\$ -	\$ 2,211,322	\$ 2,211,322
Deferred Inflows:					
Pension Related	\$ -	\$ -	\$ -	\$ 624,094	\$ 624,094
OPEB Related	-	-	-	748,342	748,342
Total Deferred Inflows	\$ -	\$ -	\$ -	\$ 1,372,436	\$ 1,372,436
Total Liabilities	\$ 762,270	\$ -	\$ 762,270	\$ 3,583,758	\$ 4,346,028
Fund Balances:					
Unassigned	\$ 1,760,525	\$ -	\$ 1,760,525	\$ (1,760,525)	\$ -
Restricted:Reported in Penalty Enforcement Fund	-	132,106	132,106	(132,106)	-
Total Fund Balances	\$ 1,760,525	\$ 132,106	\$ 1,892,631	\$ (1,892,631)	\$ -
Total Liabilities & Fund Balances	\$ 2,522,795	\$ 132,106	\$ 2,654,901		
Net Position					
Net Investment in Capital Assets Unrestricted (Deficit)				\$ 62,477 (1,390,456)	\$ 62,477 (1,390,456)
Restricted for Penalty Enforcement				132,106	132,106
Total Net Position (Deficit)				\$ (1,195,873)	\$ (1,195,873)

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, 2021

	General Fund	Public Health Activities	Penalty Enforcement Activities	Total	Adjustments Note A	Statement of Activities
Revenues						
Registrations	\$ 479,096	\$ -	\$ -	\$ 479,096	\$ -	\$ 479,096
Municipal	124,405	-	-	124,405	-	124,405
County	147,613	-	-	147,613	-	147,613
County (105 Grant)	69,428	-	-	69,428	-	69,428
Interest	521	-	53	574	-	574
NJACCHO-COVID-19	-	5,970	-	5,970	-	5,970
CHEA Fees - EQEF	32,411	-	-	32,411	-	32,411
OPIOID Overdose	-	69,364	-	69,364	-	69,364
CD-LPH COVID 19	-	124,290	-	124,290	-	124,290
SLPH COVID 19	-	137,349	-	137,349	-	137,349
West Orange VPOC	-	55,441	-	55,441	-	55,441
Orange VPOC	-	52,273	-	52,273	-	52,273
Montclair VPOC	-	49,316	-	49,316	-	49,316
Miscellaneous Income	1,598	-	-	1,598	-	1,598
Total	\$ 855,072	\$ 494,003	\$ 53	\$ 1,349,128	\$ -	\$ 1,349,128
Expenses						
Personnel	\$ 578,430	\$ -	\$ -	\$ 578,430	\$ -	\$ 578,430
Contract	171,705	-	-	171,705	-	171,705
Travel	8,760	-	-	8,760	-	8,760
Office	15,662	-	-	15,662	-	15,662
Other	8,198	-	56	8,254	-	8,254
Equipment	2,470	-	-	2,470	-	2,470
NJACCHO-COVID-19	-	5,970	-	5,970	-	5,970
Depreciation	-	-	-	-	(9,534)	(9,534)
OPIOID Overdose	-	69,364	-	69,364	-	69,364
CD-LPH COVID 19	-	124,289	-	124,289	-	124,289
SLPH COVID 19	-	137,349	-	137,349	-	137,349
West Orange VPOC	-	55,441	-	55,441	-	55,441
Orange VPOC	-	52,273	-	52,273	-	52,273
Montclair VPOC	-	49,316	-	49,316	-	49,316
Rounding	-	1	-	1	-	1
Total	\$ 785,225	\$ 494,003	\$ 56	\$ 1,279,284	\$ (9,534)	\$ 1,269,750
Excess Revenues/Expenditures	\$ 69,847	\$ -	\$ (3)	\$ 69,844	\$ 9,534	\$ 79,378
Changes in Fund Balances/Net Assets						
Beginning of Year						\$ 1,774,165
Prior Period Adjustment						\$ 101,565
Adjustment for PERS and OPEB Liabilities						(3,150,981)
End of Year						<u>\$ (1,195,873)</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies

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.

Government-wide and Fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by fees and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statements presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period

The government reports the following major governmental funds:

The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another manner.

The Penalty Enforcement Fund consists of fines collected and funds restricted for future expenditures designated by the Board of Commissions.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Cont.)

Estimates - 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents - The Commission maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash and cash equivalents are stated at cost, which approximates market value and have maturities of three months or less.

Advances to and from other funds - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables, which arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets - Capital assets, which include equipment, fixtures, and other long-lived assets, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, Plant, and Equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture & Equipment	5
Vehicle	5

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report 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/expenditure) until then. Currently, the Commission has only two items that qualify for reporting in this category, deferred amounts related to pensions and deferred amounts related to Other Post Retirement Benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for *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. Currently, the Commission has only two items that qualify for reporting in this category, deferred amounts related to pensions and deferred amounts related to Other Post Retirement Benefits.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fund equity - In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved balances for governmental funds represent the amount that has been legally identified for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Fund Equity and Net Position— In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position – This category presents external restrictions imposed by Board of Commissions for Board approved expenditures.

Unrestricted Net Position – This category represents the net position of the Commission, which are not restricted for any other purpose.

Note 2 - Capital Assets

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 12/31/2020	Additions	Net Balance 12/31/2021
Capital Assets	\$ 404,324	\$ 22,857	\$ 427,181
Leasehold Improvement	50,657	-	50,657
	\$ 454,981	\$ 22,857	\$ 477,838
Accumulated Depreciation	(351,381)	(13,323)	(364,704)
Amortization/ Leasehold Improvement	(50,657)	-	(50,657)
	<u>\$ 52,943</u>	<u>\$ 9,534</u>	<u>\$ 62,477</u>

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 3 - Lease Agreements

Essex Regional Health Commission entered into a lease with the Commission of 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. As of December 1, 2020, the new monthly rent is \$3,709.99 or \$11,120.97 per quarter.

On January 23, 2019, the Commission entered into a lease agreement with Xerox for a copier with a lease term of 56 months at \$114.57 per month. The following is a schedule of future minimum lease payments due over the next 5 year period:

2021	\$1,375
2022	1,375
2023	<u>1,031</u>
	<u>\$3,781</u>

On February 2, 2020, 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:

2021	\$239.40
2022	39.90
	<u>\$279.30</u>

Note 4 - Interlocal Service Agreement

An Interlocal Services Agreement was signed on March 14, 2011 between the Commission 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 Commission of Livingston. The Commission 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.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 5 - Registration and Certification Fees

Registration and Certification Fees are recognized ratably over the registration period from January 1, 2022 to December 31, 2026. Registration fees collected during the twelve month period of January 1, 2021 to December 31, 2021 were collected for the 2022 registration period, an income was recognized thru December 31, 2021.

Note 6 - Grant Funds

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.

Note 7 – Line of Credit

As of November 8, 2021 the Commission's line of credit was renewed by PNC Bank, NA in the amount of \$200,000. The initial rate of interest was 6.25%. The Line was extended from February 1, 2022 to February 1, 2023.

Note 8 - Public Employees' Retirement System (PERS)

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.

Pension Obligations

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2021, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2021, the Commission's contractually required contribution to PERS plan was \$82,386.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

Components of Net Pension Liability - At December 31, 2021, the Commission's proportionate share of the PERS net pension liability was \$833,831. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Commission's proportion of the net pension liability was based on the Commission's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Commission's proportion measured as of June 30, 2021, was 0.0070348270% which was an increase of 0.0000799552% from its proportion measured as of June 30, 2020.

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
	June 30, 2021	June 30, 2020
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 73,202	\$ 162,947
Deferred Inflows of Resources	624,094	705,611
Net Pension Liability	833,381	1,130,896
Commission's portion of the Plan's total Net Pension Liability	0.007035%	0.006935%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2021, the Commission's proportionate share of the PERS benefit, calculated by the plan as of the June 30, 2021 measurement date is \$206,903. This benefit is not recognized by the Commission because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Commission contributed \$82,386 to the plan in 2021

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 13,143	\$ 5,966
Changes of Assumptions	4,340	296,689
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	219,534
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	55,719	101,905
	\$ 73,202	\$ 624,094

The Commission will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years

Differences between Expected and Actual Experience

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year of Pension Plan Deferral:		
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	5.13	-

Net Difference between Projected and Actual Earnings on Pension Plan Investments

Year of Pension Plan Deferral:		
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
June 30, 2020	-	5.00
June 30, 2021	-	5.00

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

Year of Pension Plan Deferral:		
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending Dec 31,	Amount
2022	\$ (196,642)
2023	(140,402)
2024	(95,730)
2025	(70,554)
2026	<u>28</u>
Total	<u>\$ (503,300)</u>

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation:		
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00 – 6.00%	Based on Years of Service
Thereafter	3.00 – 7.00%	Based on Years of Service
Years of Service Investment Rate of Return	7.00%	

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

Mortality Rate Table

PERS

Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from central year using Scale MP-2019

Period of Actuarial Experience Study upon which
Actuarial Assumptions were Based

July 1, 2014 – June 30, 2018

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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, 2021 are summarized in the following table:

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 8 - Public Employees' Retirement System (PERS) (Cont.)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Commission's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the Commission's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>At 1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Commission Proportionate Share of the Net Pension Liability	<u>\$1,146,994</u>	<u>\$833,831</u>	<u>\$583,659</u>

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Postemployment Benefits Other Than Pensions

Pensions General Information about the OPEB Plan - 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. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating 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. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement. In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Basis of Presentation - The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Postemployment Benefits Other Than Pensions (Cont.)

Allocation Methodology - GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278 and \$12,598,993,950, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers 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, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability - The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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:

Inflation Rate:	2.5%		
0% Salary Increases*:			
Public Employees' Retirement System (PERS) Initial Fiscal Year Applied	Rate through 2026	2.00 – 6.00%	
Police and Firemen's Retirement System (PFRS)	Rate thereafter	3.00 – 7.00%	
	Rate for all future years	3.25 – 15.25%	

Mortality:			
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020		
PFRS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020		

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

OPEB Obligation and OPEB (benefit) Expense - The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Commission's as of June 30, 2020 was \$1,377,941. The Commission's proportionate share was \$0.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Postemployment Benefits Other Than Pensions (Cont.)

The OPEB Obligation was measured as of June 30, 2020, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The State's proportionate share of the OPEB Obligation associated with the Commission was based on projection of the State's long-term contributions to the OPEB plan associated with the Commission relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2020, the State proportionate share of the OPEB Obligation attributable to the Commission was 0.007678%, which was an increase of 0.000524% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2020, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(9,285) for the State's proportionate share of the OPEB (benefit) expense attributable to the Commission. This OPEB (benefit) expense was based on the OPEB plans June 30, 2020 measurement date.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate - The discount rate for June 30, 2020 was 2.21%. 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.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net 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:

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Postemployment Benefits Other Than Pensions (Cont.)

	At 1% Decrease <u>(1.25%)</u>	At Discount Rate <u>(2.21%)</u>	At 1% Increase <u>(3.21%)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the Commission	\$1,629,017	\$1,377,941	\$1,179,192
State of New Jersey's Total Nonemployer OPEB Liability	\$21,216,688,254	\$17,946,612,946	\$15,358,150,000

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net 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:

Healthcare Cost	At 1% Decrease	At Trend Rate	At 1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with the Commission	\$1,140,248	\$1,377,941	\$1,689,204
State of New Jersey's Total Nonemployer OPEB Liability	\$14,850,840,718	\$17,946,612,946	\$22,000,569,109

Additional Information – The following is a summary of the collective balances of the local group at June 30, 2020:

Collective Balances at December 31, 2020 and December 31, 2019

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Actuarial Valuation Date (including roll forward)	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective Deferred Outflows of Resources	\$3,168,345,589	\$11,158,226
Collective Deferred Inflows of Resources	7,333,043,620	8,761,825,481
Collective Net OPEB Liability	17,946,612,946	13,546,071,000
Commission's Portion	0.007678%	0.007154%

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 9 - Postemployment Benefits Other Than Pensions (Cont.)

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2021	\$ (964,720,007)
2022	(965,594,678)
2023	(967,008,484)
2024	(968,300,349)
2025	(660,258,014)
Thereafter	<u>(361,183,501)</u>
	<u>\$ (4,164,698,031)</u>

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.87, 8.05, 8.14 and 8.04 for the years for the 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2020, the Program membership consisted of the following:

	<u>June 30, 2020</u>
Active Plan Members	72,485
Retirees Currently Receiving Benefits	<u>24,294</u>
Total Plan Members	<u><u>96,779</u></u>

LOCAL REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 9 - Postemployment Benefits Other Than Pensions (Cont.)

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2021 (measurement date June 30, 2020) is as follows:

Service Cost	\$ 605,949,339
Interest on the Total OPEB Liability	497,444,533
Change of Benefit Terms	1,055,527
Differences Between Expected and Actual Experience	852,424,987
Changes of Assumptions	3,138,556,114
Contributions From the Employer	(292,404,377)
Contributions From Non-Employer Contributing Entity	(35,011,940)
Net Investment Income	(2,858,334)
Administrative Expense	<u>9,913,267</u>
Net Change in Total OPEB Liability	4,775,069,116
Total OPEB Liability (Beginning)	<u>13,546,071,100</u>
Total OPEB Liability (Ending)	<u>\$ 18,321,140,216</u>

*Note that the information presented above is in accordance with Local Finance Notice 2021-10, which differs from the requirements of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 10 - Program Agreements

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, 2021 (retroactive) through June 30, 2022 includes 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	\$73,570
Idling Service	5,000
Solid Waste	70,000
EPA (105)	<u>69,430</u>
Total	<u>\$218,000</u>

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 11 - Contracts for Service and Grant Agreement Contracts

The Commission has entered into Contracts for Services with:

		2022 Portion
Strengthening Local Public Health Capacity Grant	7/1/21-6/30/22	\$ 153,693
Overdose Fatality Review Team 2020/2022	10/1/21-9/30/22	74,147
Overdose Fatality Review Team 2021/2022	10/1/21-9/30/22	37,675
Essex County CEHA	7/1/21-6/30/22	75,107
Essex County (105 Grant)	7/1/21-6/30/22	34,715
Essex County CEHA	7/1/22-6/30/23	74,285
Essex County (105 Grant)	7/1/22-6/30/23	34,715
West Orange VPOC 2021/2022	7/1/21-6/30/22	56,150
West Orange VPOC P/T 2021/2022	7/1/21-6/30/22	18,679
West Orange CVG 2021/2022	7/1/21-6/30/22	30,900
Orange VPOC 2021/2022	7/1/21-6/30/22	56,000
Montclair VPOC 2021/2022	7/1/21-6/30/22	56,000
Municipal Agreement	1/1/22-12/31/22	<u>124,403</u>
Total		<u>\$ 826,469</u>

Note 12 - Other

As of December 31, 2021, the Commission had uninsured cash balances totaling \$2,025,405 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.

**ESSEX REGIONAL HEALTH COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 13 – Service Agreement Hudson Regional Health Commission

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 (\$35,000 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).

**REQUIRED
SUPPLEMENTARY INFORMATION**

**ESSEX REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2021**

Category	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (See Note A)
Personnel			
Salaries	\$ 539,797	\$ 406,583	\$ 404,810
Part Time Salary	49,005	-	-
Overtime Idling	2,500	3,831	4,111
Overtime	21,970	20,532	19,848
On Call	-	4,090	4,090
Payroll Taxes - FICA	45,130	40,306	31,234
P.E.R.S. - Pension	66,422	61,589	45,910
Retiree Health Benefit	3,476	3,876	3,868
Health Benefit	71,759	50,808	47,364
Dental Benefit	5,897	4,681	4,230
Workers Compensation	17,960	13,273	11,522
Payroll Taxes - SUI	2,260	2,007	1,443
Total	\$ 826,176	\$ 611,576	\$ 578,430
Grant Programs (Inclusive of P/R)			
MRC NACCHO	\$ -	\$ -	\$ -
NJACCHO COVID 19	-	5,970	5,970
OPIOID OVERDOSE 2020/2021	-	56,040	56,040
OPIOID OVERDOSE 2021/2022 FY22	-	13,325	13,325
West Orange COVID19	-	56,150	55,441
Orange COVID19	-	56,000	52,273
Montclair COVID 19	-	56,000	49,316
SLPH COVID 19 2020/2021	-	124,289	124,289
SLPH COVID 2021/2022	-	96,035	96,035
SLPH COVID-CVG 2021/2022	-	41,314	41,314
Total	\$ -	\$ 505,123	\$ 494,003
Contract			
Hudson Regional- Director	\$ 64,468	\$ 49,965	\$ 40,706
Hudson Regional- CFO	35,000	35,000	32,177
Legal	6,000	6,000	2,870
Office Rental	45,350	45,350	45,082
Office Cleaning	10,500	11,381	10,992
Auditor	21,800	17,774	16,934
Insurance	17,299	21,499	21,407
ADP Payroll Service	2,500	2,500	1,537
Total	\$ 202,917	\$ 189,469	\$ 171,705
Travel			
Gas	\$ 2,500	\$ 2,500	\$ 1,685
Gas Mileage Reimbursement	1,800	1,800	144
Auto Maintenance	5,000	5,000	3,454
Conventions/ Meetings	12,000	12,000	3,477
Total	\$ 21,300	\$ 21,300	\$ 8,760
Office			
Office Supplies/ Printing	\$ 5,000	\$ 5,000	\$ 5,513
Postage	5,000	5,000	4,755
Legal Advertising	1,000	1,000	-
Publications/Subscriptions	300	840	965
Copier Lease	1,500	1,873	1,873
Cooler Rental	750	850	769
Office Equipment	4,500	4,500	1,787
Total	\$ 18,050	\$ 19,063	\$ 15,662
Other			
Telephone/Pagers	\$ 8,000	\$ 8,000	\$ 6,950
Medical Surveillance	1,200	1,200	-
Bank Service Charges	500	500	395
Miscellaneous	3,000	3,000	873
Record Destruction	5,000	5,000	-
Total	\$ 17,700	\$ 17,700	\$ 8,218
Equipment			
Equipment	\$ 5,000	\$ 5,000	\$ -
General Supplies	2,500	2,500	805
Equipment Maintenance	3,000	3,000	1,665
Total	\$ 10,500	\$ 10,500	\$ 2,470
Total	\$ 1,096,643	\$ 1,374,731	\$ 1,279,248
Estimated Revenue			
Municipal Assessments	\$ 124,403	\$ 124,403	\$ 124,405
County 2020/2021	71,500	71,500	71,500
County IDLING 2020/2021	2,500	2,153	2,153
County SOLID WASTE 2020/2021	-	35,000	35,000
County 2021/2022	71,500	71,500	71,500
County IDLING 2021/2022	-	1,678	1,888
County SOLID WASTE 2021/2022	-	35,000	35,000
Reserve	334,127	-	-
Deferred Revenue R&C	431,613	467,374	479,096
ERHC EQEF Fund	50,000	50,000	32,411
Misc Revenue	11,000	11,000	1,598
Newark Agreement	-	-	-
West Orange COVID 19	-	56,150	55,441
Orange COVID 19	-	56,000	52,273
Montclair COVID 19	-	56,000	49,316
MRC NACCHO	-	-	-
NJACCHO COVID 19	-	5,970	5,970
SLPH COVID 19 2020/2021	-	124,289	124,290
Opioid Overdose 2020/2021	-	56,040	56,040
Opioid Overdose 2021/2022 FY22	-	13,325	13,324
SLPH COVID 2021/2022	-	96,035	96,035
SLPH COVID-CVG 2021/2022	-	41,314	41,314
Total	\$ 1,096,643	\$ 1,374,731	\$ 1,348,554

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 BUDGET TO GAAP RECONCILIATION GENERAL FUND
 DECEMBER 31, 2021**

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	\$ 1,348,554
Revenues considered a current year revenue for financial reporting purposes:	
Interest Income	<u>574</u>
Total Revenues as reported on Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities	<u>\$ 1,349,128</u>
<u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total charges to appropriations" from Budgetary Comparison Schedule	\$ 1,279,228
<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 capital outlay exceeded depreciation in the current period.	(9,534)
Bank Charges	<u>56</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities	<u>\$ 1,269,750</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
STATE OF NJ - PERS - LOCAL EMPLOYER GROUP
SCHEDULE OF CONTRIBUTIONS
LAST 5 YEARS***

	2021	2020	2019	2018	2017
Commission's Contractually Required Contribution	\$ 82,386	\$ 75,864	\$ 66,200	\$ 65,587	\$ 69,396
Commission's in Relation to the Contractually Required Contribution	<u>82,386</u>	<u>75,864</u>	<u>66,200</u>	<u>65,587</u>	<u>69,396</u>
Commission's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll	515,540	501,813	483,634	463,054	518,922
Contributions as a Percentage of Covered Payroll	15.98%	15.12%	13.69%	14.16%	13.37%

*this schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

Actuarial Cost Method	Entry age - Level % of Salary
Asset Valuation Method	Market value of assets
Investment Rate of Return	2.21%
Retirement Age	60
Mortality	PUB-2010 "General" and "Safety classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2020

Notes to Schedule:

Valuation Date	July 1, 2020
Timing	Actuarial determined contributions are calculated as of the July 1 preceding the fiscal year in which contributions are made
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothing of difference between market value and expected actuarial value
Investment Rate of Return	7.30%
Salary Increases	Service-based rates scaling from 6.00% at enrollment to 2.00% at 29 or more years of services through period ending June 30, 2026 Service-based rates scaling from 7.00% at enrollment to 3.00% at 29 or more years of services through period after June 30, 2026

**ESSEX REGIONAL HEALTH COMMISSION
PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST THREE FISCAL YEARS***

<u>Schedule of Proportionate Share of Net OPEB Liability</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Commission's Percentage of the Net OPEB Liability	0.00%	0.00%	0.00%
Commission's Proportionate Share of the Net OPEB Liability	\$ -	\$ -	\$ -
State of NJ's Proportionate Share of the Net OPEB Liability Associated with the Commission	<u>1,377,941</u>	<u>1,390,599</u>	<u>1,210,246</u>
Total	<u>\$ 1,377,941</u>	<u>\$ 1,390,599</u>	<u>\$ 1,210,246</u>
Commission's Covered Employee Payroll	<u>\$ 374,148</u>	<u>\$ 343,511</u>	<u>\$ 358,974</u>
Commission's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered Employee Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>

*this schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation Date June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age - Level % of Salary
Asset Valuation Method	Market value of assets
Investment Rate of Return	2.21%
Retirement Age	60
Mortality	PUB-2010 "General" and "Safety classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2020

**ESSEX REGIONAL HEALTH COMMISSION
STATE OF NJ - PERS - LOCAL EMPLOYERS GROUP
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE FISCAL YEARS***

	2021	2020	2019	2018	2017
Commission's Percentage of Collective Net Pension Liability	0.007034%	0.006935%	0.006806%	0.006594%	0.007490%
Commission's Portion of Net Pension Liability	<u>\$ 833,381</u>	<u>\$ 1,130,896</u>	<u>\$ 1,226,295</u>	<u>\$ 1,298,286</u>	<u>\$ 1,743,782</u>
Commission's Covered Payroll	<u>\$ 515,540</u>	<u>\$ 501,813</u>	<u>\$ 483,634</u>	<u>\$ 463,054</u>	<u>\$ 518,922</u>
Commission's Portion of Net Pension Liability as a % of Covered Payroll	161.65%	225.36%	253.56%	280.37%	336.04%
Plan Fiduciary Net Position as a % of Total Pension Liability	70.33%	58.32%	56.27%	53.60%	48.10%

*this schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE
DECEMBER 31, 2021**

Essex County CEHA & 105 Grant	\$ 120,906
Overdose Grant	40,269
SLPH COVID 19	137,349
West Orange VPOC	27,366
Orange VPOC	52,273
Montclair VPOC	21,316
FEMA COVID-19	<u>26,750</u>
Total	<u><u>\$ 426,229</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF ACCOUNTS RECEIVABLE MUNICIPALITIES
DECEMBER 31, 2021**

<u>Current</u>	
Newark	\$ 20,569
East Orange	9,575
Orange	<u>1,642</u>
<u>Total Current</u>	<u>\$ 31,786</u>
<u>Long Term</u>	
Belleville	\$ 7,146
Cedar Grove	3,038
Irvington	10,597
Millburn	3,691
CEHA Settlement - County	5,464
Orange	<u>4,802</u>
<u>Total Long Term</u>	<u>\$ 34,738</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number Contract Number	Program or Award Amount	Federal Revenue Recognition	State Revenue Recognition	Expenditures	
<u>Federal Awards</u>					2021	2020
<u>NJ State DEP Section 105 Grants</u>						
<u>County Essex CHEA Grant</u>						
7/1/20 - 6/30/21	66.605	\$ 69,428	\$ 34,714	\$ -	\$ 34,714	\$ 69,428
7/1/21- 6/30/22	66.605	\$ 69,428	\$ 34,714	\$ -	\$ 34,714	\$ -
<u>New Jersey Department of Health</u>						
Local Public Health						
Overdose 2021 Federal	93.136	\$ 149,000	\$ 74,853	\$ -	\$ 56,040	\$ 18,813
Overdose 2021 State		51,000	-	13,324	13,324	-
Total		<u>\$ 200,000</u>	<u>\$ 74,853</u>	<u>\$ 13,324</u>	<u>\$ 69,364</u>	<u>\$ 18,813</u>
Strengthening Local Public Health						
Capacity 7/1/21-6/30/22						
Federal	93.323	\$ 257,042	\$ 116,310	\$ -	\$ 116,310	\$ -
State		34,000	-	21,039	21,039	-
		<u>\$ 291,042</u>	<u>\$ 116,310</u>	<u>\$ 21,039</u>	<u>\$ 137,349</u>	<u>\$ -</u>
Strengthening Local Public Health						
Capacity 7/1/20-6/30/21						
Federal	93.323	\$ 120,321	\$ 118,810	\$ -	\$ 103,034	\$ 15,776
State		21,915	-	21,916	21,255	661
		<u>\$ 142,236</u>	<u>\$ 118,810</u>	<u>\$ 21,916</u>	<u>\$ 124,289</u>	<u>\$ 16,437</u>
Municipalities - Health Depts						
Professional Services						
Vulnerable Populations		\$ -	\$ -	\$ -	\$ -	\$ -
Coordinator COVID 19		-	-	-	-	-
7/1/21-6/30/22		-	-	-	-	-
Orange Township	93.323	112,000	52,273	-	52,273	-
Montclair Township	93.323	112,000	49,316	-	49,316	-
West Orange Township	93.323	112,300	55,441	-	55,441	-
		<u>\$ 336,300</u>	<u>\$ 157,030</u>	<u>\$ -</u>	<u>\$ 157,030</u>	<u>\$ -</u>
<u>Other</u>						
NJACCHO COVID 19 1/20/20-2/21/21	93.334	15,000	15,000	-	5,970	9,030
Total					<u>\$ 563,430</u>	<u>\$ 113,708</u>
Federal					507,812	113,047
State					55,618	661
Total					<u>\$ 563,430</u>	<u>\$ 113,708</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
STATE OF N.J. DEPT. OF HEALTH
STRENGTHENING LOCAL PUBLIC HEALTH CAPACITY PROGRAM 2022
GRANT #04642308006865
GRANT #04642308006876
GRANT #04642308006893
DECEMBER 31, 2021**

Budget Period 7/1/21-6/30/22

<u>Personnel Costs</u>	<u>Final Approved Budget</u>	<u>Expenditures 2021</u>
Salaries & Wages	\$ 189,106	\$ 88,262
Fringe Benefits	67,936	28,048
Total	<u>\$ 257,042</u>	<u>\$ 116,310</u>
 <u>Other Direct Costs</u>		
Equipment	\$ 6,684	\$ 8,043
Professional Services	21,356	11,968
Supplies	2,500	-
Travel	450	-
Other	3,010	1,028
Total	<u>\$ 34,000</u>	<u>\$ 21,039</u>
 Total	 <u>\$ 291,042</u>	 <u>\$ 137,349</u>
 Federal	 \$ 257,042	 \$ 116,310
State	34,000	21,039
Total	<u>\$ 291,042</u>	<u>\$ 137,349</u>

**ESSEX REGIONAL HEALTH COMMISSION
STATE OF NJ DEPT. OF HEALTH LOCAL PUBLIC HEALTH OVERDOSE FATALITY
REVIEW TEAMS 2021
GRANT # EXOLPH210TRO17-804 GRANT # DLPH210TR017-804
(COMBINED FUNDING 2021)
DECEMBER 31, 2021**

<u>Budget Period 10/1/21-9/30/22</u>	<u>Final Combined Budget</u>	<u>Expenditures 2020</u>	<u>Expenditures 2021</u>
<u>Personnel Costs</u>			
Salaries & Wages (State)	\$ 37,909	\$ -	\$ 9,932
Salaries & Wages (Federal)	111,935	13,301	37,201
Fringe Benefits (State)	6,530	-	1,980
Fringe Benefits (Federal)	19,005	3,542	6,537
Total	<u>\$ 175,379</u>	<u>\$ 16,843</u>	<u>\$ 55,650</u>
<u>Other Direct Costs</u>			
Professional Services (State)	\$ 3,797	\$ -	\$ 1,266
Professional Services (Federal)	11,094	1,862	6,181
Supplies (State)	2,611	-	147
Supplies (Federal)	5,967	108	6,121
Travel (State)	153	-	-
Travel (Federal)	999	-	-
	<u>\$ 24,621</u>	<u>\$ 1,970</u>	<u>\$ 13,715</u>
Total	<u>\$ 200,000</u>	<u>\$ 18,813</u>	<u>\$ 69,365</u>
Federal	\$ 149,000	\$ 18,813	\$ 56,040
State	51,000	-	13,325
Total	<u>\$ 200,000</u>	<u>\$ 18,813</u>	<u>\$ 69,365</u>

See accompanying notes to financial statements.

ESSEX REGIONAL HEALTH COMMISSION
STATE OF N.J. DEPT. OF HEALTH
STRENGTHENING LOCAL PUBLIC HEALTH CAPACITY PROGRAM 2021
GRANT #OLPH21PHC054
DECEMBER 31, 2021

<u>Budget Period 12/1/20-6/30/21</u>	<u>Final Approved Budget</u>	<u>Expenditures 2020</u>	<u>Expenditures 2021</u>	<u>Total Expenditures</u>
<u>Personnel Costs</u>				
Salaries & Wages	\$ 89,262	\$ 11,508	\$ 75,945	\$ 87,453
Fringe Benefits	31,059	4,268	27,089	31,357
<u>Other Direct Costs</u>				
Professional Services	7,869	537	7,332	7,869
Travel	338	-	-	-
Other	13,708	124	13,923	14,047
Total	\$ 142,236	\$ 16,437	\$ 124,289	\$ 140,726
Federal Award	\$ 120,321	\$ 15,776	\$ 103,034	\$ 118,810
State Award	21,915	661	21,255	21,916
Total	\$ 142,236	\$ 16,437	\$ 124,289	\$ 140,726

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION
 WEST ORANGE TOWNSHIP'S HEALTH DEPT.
 PROFESSIONAL SERVICE AGREEMENT VULNERABLE
 POPULATION OUTREACH COORDINATOR COVID 19
 DECEMBER 31, 2021**

Term - July 1, 2021 - June 30, 2022

Amount \$ 112,300

Payments

9/30/2021	\$ 28,075
12/31/2021	28,075
3/31/2022	28,075
6/30/2022	28,075

Total \$ 112,300

Budget Amount

7/1/21 - 12/31/21 \$ 56,150

Expenditures

Salary	\$ 39,363
Overtime	2,519
Fringe	9,925
Stipend	1,738
Program Expense	136
Consultant	1,760
Total	<u>\$ 55,441</u>

**ESSEX REGIONAL HEALTH COMMISSION
CITY OF ORANGE TOWNSHIP'S HEALTH DEPT.
PROFESSIONAL SERVICE AGREEMENT VULNERABLE
POPULATION OUTREACH COORDINATOR COVID 19
DECEMBER 31, 2021**

Term - July 1, 2021 - June 30, 2022

Amount \$ 112,000

Payments

9/30/2021	\$ 28,000
12/31/2021	28,000
3/31/2022	28,000
6/30/2022	28,000

Total \$ 112,000

Budget Amount

7/1/21 - 12/31/21 \$ 56,000

Expenditures

Salary	\$ 34,831
Overtime	19
Fringe	8,892
Stipend	1,555
Program Expense	2,283
Consultant	4,693
Total	<u>\$ 52,273</u>

**ESSEX REGIONAL HEALTH COMMISSION
MONTCLAIR TOWNSHIP'S HEALTH DEPT.
PROFESSIONAL SERVICE AGREEMENT VULNERABLE
POPULATION OUTREACH COORDINATOR COVID 19
DECEMBER 31, 2021**

Term - July 1, 2021 - June 30, 2022

Amount \$ 112,000

Payments

9/30/2021	\$ 28,000
12/31/2021	28,000
3/31/2022	28,000
6/30/2022	28,000

Total \$ 112,000

Budget Amount

7/1/21 - 12/31/21 \$ 56,000

Expenditures

Salary	\$ 32,655
Fringe	8,216
Stipend	639
Program Expense	2,110
Consultant	5,696
Total	<u>\$ 49,316</u>

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, 2021, and the related notes to the financial statements, which collectively comprise Essex's basic financial statements, and have issued our report thereon dated December 19, 2022.

Report on 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.

Report on 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

December 19, 2022

ESSEX REGIONAL HEALTH COMMISSION

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Financial Statement Findings

No Current Year Findings

ESSEX REGIONAL HEALTH COMMISSION

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*.

Financial Statement Findings

No Prior Year Findings

Federal Awards

N/A – No Federal Single Audit in prior year.

State Financial Assistance

N/A – No State Single Audit in prior year.