

*Financial Statements*

# Essex Regional Health Commission

December 31, 2012

**ESSEX REGIONAL HEALTH COMMISSION  
AUDIT REPORT  
DECEMBER 31, 2012**

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of Essex Regional Health Commission ("Essex"), as of December 31, 2012, and for the period ended December 31, 2012, as listed in the table of contents. These financial statements are the responsibility of Essex's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Essex did not implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (see Note 14). State of New Jersey Local Finance Notice 2007-15 also dictates that municipalities implement the GASB.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, with the exception described in the preceding paragraph, the respective financial position of Essex as of December 31, 2012, and the results of its operations and the cash flows of its General Fund and Penalty Enforcement Fund for the year then ended in conformity with accounting principals generally accepted in the United States of America.

As described in Note 11 to the basic financial statements, Essex adopted the provisions of Governmental Accounting Standards Board Statement No. 34, as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis and the other required supplementary information pages 3 through 6 and 14 through 20, respectively are not a required part of the basic financial

statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2013 on our consideration of Essex's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Essex's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Financial Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
DeSENA & COMPANY

East Hanover, New Jersey  
September 20, 2013

# **ESSEX REGIONAL HEALTH COMMISSION**

**204 HILLSIDE AVE, LIVINGSTON, N.J. 07039**

**PHONE (973) 251-2059 FAX (973) 251-2779**

## **Managements Discussion and Analysis Report**

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

### **Authority**

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

### **Board of Commissioners**

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

### **Management-Staffing**

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

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

### **Programs and Services**

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

Environmental Health  
Public Health

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

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

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

**Financial Status and Assessment of Long Term Operational Liability**

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

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

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

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

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

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In addition to the several other sources of revenue reflected in the budget, the Commission maintains a reserve balance which it uses as a separate revenue source to balance the budget.

As a general planning guideline, a forward looking projection indicating a reserve balance to be less than the projected gap between appropriations and estimated revenues would indicate a potential structural deficit. This is a key indicator of the Commission's projected fiscal health.

As of 12/31/12, the Commission's fund balance of the General Fund was \$1,500,662.

**Projections and Critical Issues**

As referenced in our statement last year, over the past several years the Commission has dramatically increased its scope of activities. In addition to increased demands on our CEHA Program we have been designated as the LINC/S/BT Programs for Essex County. We have become somewhat of a hodgepodge of revenue sources, authority and jurisdictions, but with great and growing responsibility and formidable fiscal vulnerabilities.

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

The Commission is quite unique for reasons beyond its basic organizational structure, which in fact is a consortium of municipalities bound together by a joint agreement to provide specialized public/environmental health programs. As indicated above, this in and of itself is not an entirely stable situation; however, there are two other major factors which clearly do no bode well for the long prospects of term sustainability.

Presently only fourteen of the counties twenty two municipalities are members of the Commission.

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The Commission receives no financial support from the County for general operations.

The organizational issues and lack of secure stable sources of revenue discussed in last year's statement are yet to be resolved. Both the NJDHSS and the NJDEP are aware of the problems and issues discussed herein.

**Contacting the Commission's Management**

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



**ESSEX REGIONAL HEALTH COMMISSION  
FUND BALANCE SHEET/STATEMENT OF NET ASSETS  
DECEMBER 31, 2012**

	General Fund	Penalty Enforcement Activities	Adjustments	Statement of Net Assets
<u>Assets</u>				
Cash	\$ 151,665	\$ 22,917		\$ 174,582
New Jersey Cash Management Fund	2,548,567	84,757		2,633,324
Accounts Receivable Grants & Contracts	46,300			46,300
Accounts Receivable Municipalities	64,689			64,689
Accounts Receivable Fines & Registrations	-	82,745		82,745
Capital Assets Net of Accumulated Depreciation (Note 2)			\$ 82,698	82,698
<b>Total Assets</b>	<b>\$ 2,811,221</b>	<b>\$ 190,419</b>	<b>\$ 82,698</b>	<b>\$ 3,084,338</b>
<u>Liabilities &amp; Reserves</u>				
Accounts Payable	86,532			86,532
Accrued Payroll	2,686			2,686
Payroll Deduction	5,052			5,052
Unexpended Moving Expenses	29,867			29,867
Due Post Retirement Benefits Fund	406			406
Post Retirement Benefits Reserve	95,194			95,194
Unearned Registrations	1,071,943			1,071,943
Unearned MRC Grant	8,722			8,722
Unearned CDC XI	2,633			2,633
Reserve Vacation & Fringe	7,524			7,524
	<b>\$ 1,310,559</b>			<b>\$ 1,310,559</b>
Fund Balances/Net Assets Unreserved Reported in General Fund	\$ 1,500,662			
Reserve reported in Penalty Enforcement Fund		\$ 190,419		
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,811,221</b>	<b>\$ 190,419</b>		
<u>Net Assets:</u>				
Invested in Capital Assets				\$ 82,698
Unrestricted General Fund				1,500,662
Restricted Penalty Enforcement Fund				190,419
<b>Total Net Assets</b>				<b>\$ 1,773,779</b>

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, 2012**

	<u>Environmental Activities</u>	<u>Public Health Activities</u>	<u>Penalty Enforcement Activities</u>	<u>Total</u>	<u>Adjustments Note A</u>	<u>Statement of Activities</u>
<b>Revenues</b>						
Registrations	\$ 269,236					
Municipal	129,034					
County	105,687					
County (105 Grant)	69,428					
Interest	1,427		\$ 48			
Miscellaneous	4,283					
NJDHSS/CDC X & XI		\$ 378,949				
MRC Grant		394				
CHEA Fees - EQEF	43,661					
Penalty Fees			3,109			
<b>Total</b>	<b>\$ 622,756</b>	<b>\$ 379,343</b>	<b>\$ 3,157</b>	<b>\$ 1,005,256</b>		<b>\$ 1,005,256</b>
<b>Expenses</b>						
Personnel	\$ 698,580					
Contract	77,677					
Travel	14,602					
Other	18,013		\$ 39			
Equipment	21,013					
NJDHSS/CDC X & XI		\$ 378,953				
Depreciation/Amortization					\$ 8,634	
MRC Grant		394				
Capital Outlay		(4)			\$ (20,977)	
<b>Total</b>	<b>\$ 829,885</b>	<b>\$ 379,343</b>	<b>\$ 39</b>	<b>\$ 1,209,267</b>	<b>\$ (12,343)</b>	<b>\$ 1,196,924</b>
Excess Expenditures/Revenues	\$ (207,129)	\$ -	\$ 3,118	\$ (204,011)		\$ (191,668)
Changes in Fund Balances/Net Assets						
Beginning of Year				1,895,093		1,915,790
Transfer from Moving Reserve						49,657
End of Year				<u>\$ 1,691,082</u>		<u>\$ 1,773,779</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash Flow From Operating Activities:		
Excess of Expenditures over Revenues		\$ (191,668)
Adjustments to reconcile Excess of Revenues Over Expenditures to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	\$ 8,634	
Decrease in Receivables	47,385	
Decrease in Accounts Payable/Reserves	(29,022)	
Increase in Accrual & Payroll Deductions	282	
Increase in Unearned Registration Fees	<u>684,726</u>	
		<u>712,005</u>
Net Cash Provided by Operating Activities		\$ 520,337
Cash Flows From Capital Financing Activities:		
Acquisition of Equipment		<u>(20,997)</u>
Net Increase in Cash & Cash Equivalents		\$ 499,340
Cash - Beginning of Period		<u>2,308,566</u>
Cash - End of Period		<u><u>\$ 2,807,906</u></u>

See accompanying notes to financial statements.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Note 1

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

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

Note 2

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

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

	Net Balance 12/31/2011	Additions	Deletions	Net Balance 12/31/2012
Capital Assets	\$ 336,525	\$ 20,977	\$ (2,274)	\$ 355,228
Leasehold Improvement	1,000	49,657		50,657
	<u>\$ 337,525</u>	<u>\$ 70,634</u>	<u>\$ (2,274)</u>	<u>\$ 405,885</u>
Accumulated Depreciation Amortization/ Leasehold Improvement	(316,827)	(6,101)	\$ 2,274	(320,654)
	-	(2,533)	-	(2,533)
	<u>\$ 20,698</u>	<u>\$ 62,000</u>	<u>\$ -</u>	<u>\$ 82,698</u>

Note 3

Essex Regional Health Commission entered into a lease with the Township 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. During the first year of the initial term, Essex Regional Health Commission agrees to pay the landlord \$37,800, or \$3,150 a month. Beginning with the rent due on December 1, 2011, the rent to be paid will be calculated in accordance with price indexes listed in Schedule B of the lease. Should the application of this formula result in a percentage increase of less than 1% in the year, Essex Regional Health Commission agrees that there will be a one percent (1%) increase in the rent for the year. In no event will the increase exceed three percent (3%) in the year.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Note 4

On April 22, 2008, the Commission entered into a lease agreement for a copier with Key Equipment Finance, Inc. The term of the lease is for sixty months, and aggregate payments under the lease total \$16,320. A five year agreement with Pitney Bowes for a mailing machine at a total cost of \$2,640 was authorized in the meeting of May 26, 2010.

Note 5

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

Note 6

Registration and Certification Fees are recognized ratably over the registration period from January 1, 2012 to December 31, 2016. Registration fees collected during the twelve month period of January 1, 2012 to December 31, 2012 were collected for the 2012 registration period and income was recognized thru December 31, 2012.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Note 7

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 6.64% 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.

Note 8

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 9

Vacation Time

The Commission allows employees to carry unused vacation and compensation time into the following year, at which time it must be used. As of December 31, 2012, the amounts earned but not paid amount to \$31,738.

Note 10

As of February 1, 2005 the Commission was extended a line of credit by PNC Bank, NA in the amount of \$200,000. The initial rate of interest was 6.25% with the line of credit expiring February 1, 2014.

Note 11

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

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Note 12

Contracts for Service and Grant Agreement Contracts

The Commission has entered into Contracts for Services with:  
NJ Dept. of Health & Senior

Services:

Public Health

Emergency Preparedness	8/10/12-6/30/13	\$365,572
Essex County CEHA	1/1/13-12/31/13	\$105,687
Essex County (105 Grant)	7/1/12- 6/30/13	\$ 69,428
Essex County EQEF	1/1/13-12/31/13	Based on Fines & Penalties To be assessed

Note 13

Other

As of December 31, 2012, the Commission had uninsured cash balances totaling \$2,633,324 in the New Jersey Cash Management Fund. Other operating cash accounts deposited in banks may also go over the FDIC insured limit of \$250,000 when reimbursement checks are received from the State of New Jersey.

Note 14

Other Post-Employment Benefits (“OPEB”)

Essex has not met the requirements of GASB 45, which requires disclosures of information about OPEB and the plan in which the employer participates, the funding policy followed, the actuarial valuation process and assumptions and the extent to which the plan has been funded over time. Essex is currently in the process of fulfilling its requirement under this GASB pronouncement

**SUPPLEMENTARY INFORMATION**



**ESSEX REGIONAL HEALTH COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
DECEMBER 31, 2012**

	Budgeted Original	Amounts Final	Actual Amounts Budgetary Basis (See Note A)
<u>Category</u>			
<u>Personnel</u>			
Salaries	\$ 484,442	\$ 571,942	\$ 519,495
Overtime/On Call	15,000	15,000	1,031
	<u>\$ 499,442</u>	<u>\$ 586,942</u>	<u>\$ 520,526</u>
<u>Fringe</u>			
FICA	\$ 37,100	\$ 43,800	\$ 39,315
PERS	54,000	56,500	51,092
PRMB		4,000	
Medical	84,000	84,000	80,533
Dental	7,500	7,500	5,188
Unemployment	2,300	2,600	1,926
	<u>\$ 184,900</u>	<u>\$ 198,400</u>	<u>\$ 178,054</u>
<u>Contract</u>			
Hudson Regional	\$ 47,000	\$ 40,000	\$ -
Legal	5,000	5,000	3,654
Office Rental	20,000	27,000	26,539
Office Cleaning	8,000	8,000	7,195
Auditor	12,500	12,500	13,891
Insurance	30,000	30,000	23,558
ADP	4,000	4,000	2,840
	<u>\$ 126,500</u>	<u>\$ 126,500</u>	<u>\$ 77,677</u>
<u>Travel</u>			
Gas	\$ 3,500	\$ 5,000	\$ 4,524
Gas Milage Reimbursement	2,000	2,000	937
Auto Maintenance	4,250	4,250	3,774
Convention/Meetings	3,500	9,000	5,367
	<u>\$ 13,250</u>	<u>\$ 20,250</u>	<u>\$ 14,602</u>
<u>Other</u>			
Telephone/Pagers	\$ 6,000	\$ 6,500	\$ 7,209
Medical Surveillance	1,200	1,200	-
Office Supplies/Printing	6,000	6,000	2,499
Postage	7,000	6,500	3,949
Publication/Subscriptions	3,000	3,000	300
Photocopier	3,000	3,000	3,067
Water Cooler	2,000	2,000	989
Miscellaneous	2,500	2,500	-
	<u>\$ 30,700</u>	<u>\$ 30,700</u>	<u>\$ 18,013</u>
<u>Equipment</u>			
Cars	\$ -	\$ 19,000	\$ 14,003
Miscellaneous	2,500	2,500	1,148
Protection/Containment	3,000	1,000	207
Office Equipment	3,000	5,000	4,011
Equipment Maintenance	3,000	3,000	1,644
	<u>\$ 11,500</u>	<u>\$ 30,500</u>	<u>\$ 21,013</u>
CDC Grant X & XI	\$ 313,321	\$ 313,321	\$ 378,949
MRC	5,000	5,000	394
	<u>\$ 318,321</u>	<u>\$ 318,321</u>	<u>\$ 379,343</u>
<u>Total</u>	<u>\$ 1,184,613</u>	<u>\$ 1,311,613</u>	<u>\$ 1,209,228</u>
<u>Estimated Revenue</u>			
Municipal Assessments	\$ 129,033	\$ 129,033	\$ 129,034
CDC Grant X & XI	313,321	313,321	378,949
ERHC (EQEF Fund)	50,000	50,000	50,000
Essex County (CEHA)	105,687	105,687	105,687
Essex County (105 Grant)	69,428	69,428	69,428
Reserve	512,144	639,144	639,144
MRC	5,000	5,000	394
<u>Total</u>	<u>\$ 1,184,613</u>	<u>\$ 1,311,613</u>	<u>\$ 1,372,636</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 BUDGET TO GAAP RECONCILIATION GENERAL FUND  
 DECEMBER 31, 2012**

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		\$ 1,372,636
<u>Difference - Budget to GAAP</u>		
Reserve appropriation is not considered a current year revenue for financial reporting purposes		(689,144)
Revenues considered a current year revenue for financial reporting purposes:		
Interest Income	\$ 1,427	
Miscellaneous Revenue	13	
CHEA Revenues - EQEF	43,661	
Interest Penalty Enforcement Fund	48	
Commute Reimbursement	4,270	
Registration Fees	269,236	
Penalty Enforcement Fines	<u>3,109</u>	321,764
Total Revenues as reported on Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,005,256</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from Budgetary Comparison Schedule		\$ 1,209,228
Bank Charges Enforcement		39
<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.		<u>(12,343)</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,196,924</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
SCHEDULE OF GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE  
DECEMBER 31, 2012**

Essex County EQEF	\$ 15,972
Essex County CEHA & 105 Grant	<u>30,328</u>
Total	<u><u>\$ 46,300</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
SCHEDULE OF ACCOUNTS RECEIVABLE MUNICIPALITIES  
DECEMBER 31, 2012**

South Orange	\$ 4,543
East Orange	6,385
Cedar Grove	4,050
Belleville	7,146
Irvington	10,601
Livingston	1,523
Maplewood	1
Millburn	3,691
Montclair	3,392
Newark	20,570
Orange	(31)
West Caldwell	2,819
West Orange	<u>(1)</u>
Total	<u><u>\$ 64,689</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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>					
NJ State DEP Section 105 Grants County Essex CHEA Grant	66.001				
7/1/11 - 6/30/12		\$ 69,428	\$ 34,714		\$ 34,714
7/1/12 - 6/30/13			34,714		34,714
Medical Reserve Corps National Association of County and City Health Officials	93.008				
2010			<u>394</u>		<u>394</u>
Total			<u>\$ 69,822</u>		<u>\$ 69,822</u>
<u>State of NJ Awards</u>					
NJ Dept of Health & Senior Services:					
Hiper (Lincs Agencies)					
Public Health Emergency 8/10/12-6/30/13 Preparedness	93.069	<u>\$ 365,572</u>			
<u>8/10/12-12/31/12</u>			<u>\$ 149,482</u>		<u>\$ 149,482</u>
			<u>\$ 149,482</u>		<u>\$ 149,482</u>
Public Health Emergency 8/10/11-8/9/12 Preparedness	93.069	<u>\$ 360,151</u>			
<u>8/10/11-12/31/11</u>			\$ 130,295		\$ 130,295
<u>1/1/12-8/9/12</u>			229,266		229,266
			<u>\$ 359,561</u>		<u>\$ 359,561</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION**  
**EX-LINCS 2-2013-00032**  
**PHILEPS (LINCS AGENCIES) 2013**  
**YEAR ENDED DECEMBER 31, 2012**

<u>Term 8/10/12 - 6/30/13</u>	<u>Final Approved Budget</u>	<u>Expenditures 2012</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
<u>Cost Category</u>				
Salaries & Wages	\$ 198,946	\$ 88,372	\$ 88,372	\$ -
Fringe Benefits	80,971	33,740	33,740	-
Consultant/Professional Services	46,124	18,428	18,428	-
Office Expenses & Related Costs	14,530	3,200	3,200	-
Program Expenses & Related Costs	9,121	783	783	-
Reserve	3,609	-	-	-
Travel, Conferences & Meetings	790	721	721	-
Facility Cost	<u>11,481</u>	<u>4,443</u>	<u>4,443</u>	<u>          </u>
 Total	 <u>\$ 365,572</u>	 <u>\$ 149,687</u>	 <u>\$ 149,687</u>	 <u>\$ -</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
EX-LINCS 1-2012-00008  
PHILEP (LINCS AGENCIES) 2012  
YEAR ENDED DECEMBER 31, 2012**

<u>Term 8/10/11 - 8/9/12</u>	<u>Final Approved Budget</u>	<u>Expenditures 2011</u>	<u>Expenditures 2012</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
<u>Cost Category</u>					
Salaries & Wages	\$ 220,784	\$ 85,995	\$ 134,788	\$ 220,783	\$ -
Fringe Benefits	92,221	34,816	56,475	91,291	-
Consultant Professional	3,609	-	3,609	3,609	
Office Expenses & Related Costs	16,959	3,646	13,351	16,997	-
Program Expenses & Related Costs	10,868	702	10,172	10,874	
Travel, Conferences & Meetings	1,415	207	1,504	1,711	
Facility Cost	14,295	4,929	9,367	14,296	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>\$ 360,151</u>	<u>\$ 130,295</u>	<u>\$ 229,266</u>	<u>\$ 359,561</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**INDEPENDENT AUDITOR'S REPORTS**





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

## INDEPENDENT AUDITOR'S REPORT

### 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*

We have audited the financial statements of Essex Regional Health Commission, (Essex) as of and for the year ended December 31, 2012 and have issued our report thereon dated September 20, 2013. We conducted our audit in accordance with 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Essex's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Essex's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Essex's internal control over financial reporting.

*A control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

*A material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Essex's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DeSENA & COMPANY

East Hanover, New Jersey  
September 20, 2013



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

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Essex Health System Inc. (Essex) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended December 31, 2012. Essex's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Essex's management. Our responsibility is to express an opinion on Essex's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards of the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and NJ OMB Circular 04-04. Those standards and OMB Circular A-133 and NJ OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Essex's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Essex's compliance with those requirements.

In our opinion, Essex complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2012.

## Internal Control Over Compliance

The management of Essex is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Essex's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on Essex's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal and state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
DeSena & Company

East Hanover, New Jersey  
September 20, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

*Part 1 - Summary of Auditor's Results*

**Financial Statement Section**

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

**Federal Awards Section**

- D) Dollar threshold used to determine Type A programs \$500,000
- E) Auditee qualified as low-risk auditee? Xyes \_\_no \_\_n/a
- F) Type of auditor's report on compliance for major programs Unqualified
- G) Internal control over compliance:
- 1) Material weakness(es) identified? \_\_yes Xno \_\_n/a
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses? \_\_yes Xno \_\_n/a
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? \_\_yes Xno \_\_n/a
- I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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N/A

N/A

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**State Awards Section**

- J) Dollar threshold used to determine Type A programs \$300,000
- K) Auditee qualified as low-risk auditee? Xyes   no   n/a
- L) Type of auditor's report on compliance for major programs Unqualified
- M) Internal control over compliance:
- 1) Material weakness(es) identified?   yes Xno   n/a
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses?   yes Xno   n/a
- H) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04?   yes Xno   n/a

I) Identification of major programs:

<u>Contract Number(s)</u>	<u>Name of State Program</u>
PHLP 13LNC015 PHLP 12LNC017	NJ Dept. of Health & Senior Services: Local Core Capacity For Public Health Emergency Preparedness Grant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

*Part 2 - Schedule of Financial Statement Findings*

This section identifies the reportable conditions, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that Government Auditing Standards requires reporting in a Circular A-133 audit, paragraphs 12.16 and 12.33.

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

This section identifies the reportable conditions, material weaknesses, and material instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by section 510(a) of OMB Circular A-133 and New Jersey OMB Circular 04-04.

NONE



**ESSEX REGIONAL HEALTH COMMISSION  
COMMENTS AND RECOMMENDATIONS  
DECEMBER 31, 2012**

**RECOMMENDATIONS:**

1. That Essex take the necessary steps to implement and maintain the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial reporting by Employees for Postemployment Benefits Other Than Pensions".