

*Financial Statements*

# Essex Regional Health Commission

December 31, 2019

**ESSEX REGIONAL HEALTH COMMISSION  
AUDIT REPORT  
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of Essex Regional Health Commission (Essex), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Essex's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Essex, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–5 and 15-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of

the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of Essex's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Essex's internal control over financial reporting and compliance.



DeSena & Company

East Hanover, New Jersey  
September 15, 2020

# ESSEX REGIONAL HEALTH COMMISSION

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## Management's Discussion and Analysis Report

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

### Authority

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

### Board of Commissioners

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

### Management-Staffing

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

The Commission staff presently comprises 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 emergency preparedness and response to public health emergencies.

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

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

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

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

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

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

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

As of 12/31/2019, the Commission's fund balance of the General Fund was \$1,572,289.

### **Projections and Critical Issues**

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

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

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

### **Contacting the Commission's Management**

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

**ESSEX REGIONAL HEALTH COMMISSION  
FUND BALANCE SHEET/STATEMENT OF NET ASSETS  
DECEMBER 31, 2019**

	General Fund	Penalty Enforcement Activities	Adjustments	Statement of Net Assets
<u>Assets</u>				
Cash	\$ 57,286	\$ 7,384		\$ 64,670
New Jersey Cash Management Fund	2,163,539	121,128		2,284,667
Due From General Fund		2,500		2,500
Prepaid Expenses	1,646			1,646
Accounts Receivable Grants & Contracts	283,889			283,889
Accounts Receivable Municipalities	69,036			69,036
Capital Assets Net of Accumulated Depreciation (Note 2)			\$ 658	658
Rounding	3			3
<b>Total Assets</b>	<b>\$ 2,575,399</b>	<b>\$ 131,012</b>	<b>\$ 658</b>	<b>\$ 2,707,069</b>
<u>Liabilities &amp; Reserves</u>				
Due to Penalty Enforcement Fund	\$ 2,500			\$ 2,500
Accounts Payable	55,977			55,977
Accrued Payroll	12,143			12,143
Payroll Deduction	4,682			4,682
Post Retirement Benefits Reserve	100,986			100,986
Unearned MRC	932			932
Unearned Registrations	825,890			825,890
	<b>\$ 1,003,110</b>			<b>\$ 1,003,110</b>
Fund Balances/Net Assets Unreserved Reported in General Fund	\$ 1,572,289			
Reserve reported in Penalty Enforcement Fund		\$ 131,012		
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,575,399</b>	<b>\$ 131,012</b>		
Net Assets:				
Invested in Capital Assets				\$ 658
Unrestricted General Fund				1,572,289
Restricted Penalty Enforcement Fund				131,012
<b>Total Net Assets</b>				<b>\$ 1,703,959</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, 2019**

	<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>
<u>Revenues</u>						
Registrations	\$ 412,945					
Municipal	124,402					
County	130,175					
County (105 Grant)	69,428					
Interest	46,174		\$ 5,084			
NJDHSS/CDC 2019/2020		\$ 293,731				
Newark Agreement		60,000				
MRC	1,568					
Radon	1,995					
NJDHSS/CDLHP 2020		12,373				
CHEA Fees - EQEF	50,698					
Miscellaneous Income	23					
Total	<u>\$ 837,408</u>	<u>\$ 366,104</u>	<u>\$ 5,084</u>	<u>\$ 1,208,596</u>		<u>\$ 1,208,596</u>
<u>Expenses</u>						
Personnel	\$ 588,237	\$ 60,000				
Contract	149,927					
Travel	15,120					
Office	10,916					
Other	6,512					
Equipment	5,691					
NJDHSS/CDC 2018/2019		293,731				
Radon	1,995					
NJDHSS/CDLHP 2020		12,373				
Depreciation/Amortization					\$ 461	
MRC Grant	1,568					
Total	<u>\$ 779,966</u>	<u>\$ 366,104</u>	<u>\$ -</u>	<u>\$ 1,146,070</u>	<u>\$ 461</u>	<u>\$ 1,146,531</u>
Excess Expenditures/Revenues	<u>\$ 57,442</u>	<u>\$ -</u>	<u>\$ 5,084</u>	\$ 62,526	\$ (461)	\$ 62,065
Changes in Fund Balances/Net Assets						
Beginning of Year						1,618,357
Unexpended Moving Revenue						22,873
Fixed Asset Adjustment						664
End of Year						<u>\$ 1,703,959</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flow From Operating Activities:		\$ 62,065
Excess of Revenues over Expenditures		
Adjustments to reconcile Excess of Expenditures Over Revenues to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	\$ 461	
Decrease in Receivables	439	
Decrease in Accounts Payable/Reserves	(3,518)	
Increase in Accrual & Payroll Deductions	3,393	
Increase in Prepaid Expenses	(1,076)	
Decrease in Unearned Registration Fees	<u>(195,871)</u>	<u>(196,172)</u>
Net Cash Used by Operating Activities		<u>\$ (196,172)</u>
Net Decrease in Cash & Cash Equivalents		\$ (134,107)
Cash - Beginning of Period		<u>2,483,444</u>
Cash - End of Period		<u><u>\$ 2,349,337</u></u>

See accompanying notes to financial statements.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 12/31/2018	Additions	Net Balance 12/31/2019
Capital Assets	\$ 375,829	\$ 8,197	\$ 384,026
Leasehold Improvement	50,657	-	50,657
	<u>\$ 426,486</u>	<u>\$ 8,197</u>	<u>\$ 434,683</u>
Accumulated Depreciation	(374,710)	(8,658)	(383,368)
Amortization/ Leasehold Improvement	(50,657)	-	(50,657)
	<u>\$ 1,119</u>	<u>\$ (461)</u>	<u>\$ 658</u>

Note 3

Essex Regional Health Commission entered into a lease with the Township pf Livingston for the rental of approximately 4,200 square feet of the Senior Community Center (the "Building") located at 204 Hillside Avenue, Livingston, New Jersey. The term of the lease is for five (5) years commencing on December 1, 2010 and ending on November 30, 2015 unless sooner terminated as provided in the lease. At the expiration of the initial term the Lease shall automatically renew for additional one (1) year terms ("Extended Terms") unless terminated by either Landlord or Tenant upon sixty (60) days written notice prior to the end of the initial term or the last extended term. During the first year of the initial term, Essex Regional Health Commission agrees to pay the landlord \$37,800, or \$3,150 a month. Beginning with the rent due on December 1, 2011, the rent to be paid will be calculated in accordance with price indexes listed in Schedule B of the lease. Should the application of this formula result in a percentage increase of less than 1% in the year, Essex Regional Health Commission agrees that there will be a one percent (1%) increase in the rent for the year. In no event will the increase exceed three percent (3%) in the year. As of December 1, 2019, the new monthly rent is \$3,709.99 or \$11,120.97 per quarter.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 4

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:

2020	\$1,375
2021	1,375
2022	1,375
2023	<u>1,031</u>
	<u>\$5,156</u>

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

2020	<u>\$ 20</u>
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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, 2017 to December 31, 2021. Registration fees collected during the twelve month period of January 1, 2019 to December 31, 2019 were collected for the 2017 registration period and income was recognized thru December 31, 2019.

Note 7

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

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 8

As of February 1, 2020 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, 2021.

Note 9

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

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

Note 10

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, 2019 (retroactive) through June 30, 2020 includes a quarter year of solid waste enforcement actions and the maintenance of documents required under the Community Right to Know Act regarding the public disclosure of hazardous waste.

The following are the contract amounts:

Air Service	\$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.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 12

Contracts for Service and Grant Agreement Contracts:

The Commission has entered into Contracts for Services with:

NJ Dep of Health & Senior Service		
Public Health Emergency Preparedness	7/1/19-6/30/20	\$154,241
NJ Dept of Health & Senior Service		
Public Health Emergency Preparedness	7/1/20-6/30/21	148,004
Communicable Disease	11/1/19-6/30/20	82,627
Newark CDC Agreement	7/16/19-7/15/20	30,000
Essex County CEHA	7/1/19-6/30/20	76,008
Essex County (105 Grant)	7/1/19-6/30/20	34,715
Essex County CEHA (No Idling/Solid Waste)	7/1/20-6/30/21	36,535
Essex County (105 Grant)	7/1/20-6/30/21	34,715
Municipal Agreement	1/1/20-12/31/20	124,403
Total		<u>721,248</u>

Note 13

Other

As of December 31, 2019, the Commission had uninsured cash balances totaling \$2,284,667 in the New Jersey Cash Management Fund. Other operating cash accounts deposited in banks may also go over the FDIC insured limit of \$250,000 when reimbursement checks are received from the State of New Jersey.

Note 14

Other Post-Employment Benefits (“OPEB”)

The Commission contributes to the State Health Benefits Program (SHBP), a cost sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

ESSEX REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295, or by visiting their website at: [www.state.nj.us/treasury/pensions/gasb-43-sept 2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept 2008.pdf)

Funding Policy

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

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

Note 15

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

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

**SUPPLEMENTARY INFORMATION**



**ESSEX REGIONAL HEALTH COMMISSION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
DECEMBER 31, 2019**

Category	Budgeted Original	Amounts Final	Actual Amounts Budgetary Basis (See Note A)
<b>Personnel</b>			
Salaries	\$ 428,128	\$ 408,266	\$ 401,406
Part Time	70,350	55,478	49,729
Overtime - CEHA/Idling	3,000	4,046	4,313
Overtime - On Call	10,000	17,083	17,083
	<u>\$ 511,478</u>	<u>\$ 484,873</u>	<u>\$ 472,531</u>
<b>Fringe</b>			
Payroll Taxes/FICA	\$ 38,068	\$ 36,438	\$ 34,490
Payroll Taxes/SUI	2,650	2,650	1,924
Health Benefit	57,000	59,642	59,642
Retiree Benefits Health	6,000	6,000	3,518
Workers Comp.	17,000	17,090	15,990
Dental Benefit	5,000	5,000	4,872
P.B.R.S. Pension	61,920	56,462	55,270
	<u>\$ 187,638</u>	<u>\$ 183,282</u>	<u>\$ 175,706</u>
Total Personnel & Fringe	<u>\$ 699,116</u>	<u>\$ 668,155</u>	<u>\$ 648,237</u>
<b>Grant Programs (Inclusive of P/R)</b>			
MRC NACCHO	\$ -	\$ 1,568	\$ 1,568
CDC-2018/2019	148,005	151,966	151,966
CDC 2019/2020	-	141,767	141,767
Radon	-	1,995	1,995
CD-LHP 2019/2020	-	12,373	12,373
	<u>\$ 148,005</u>	<u>\$ 309,669</u>	<u>\$ 309,669</u>
<b>Contract</b>			
Hudson Regional- Director	\$ 61,245	\$ 58,021	\$ 56,947
Hudson Regional- CFO	29,124	23,247	22,664
Legal	6,000	6,000	703
Office Rental	31,500	31,500	29,022
Office Cleaning	9,000	9,000	6,630
Auditor	18,370	18,370	18,603
Insurance	16,653	16,653	13,844
ADP	2,500	2,500	1,514
	<u>\$ 174,392</u>	<u>\$ 165,291</u>	<u>\$ 149,927</u>
<b>Travel</b>			
Gas	\$ 3,000	\$ 3,000	\$ 1,973
Gas Mileage Reimbursement	1,000	1,000	820
Convention/Meetings	14,000	14,000	9,274
Auto Maintenance	5,000	5,000	3,053
	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 15,120</u>
<b>Office</b>			
Office Supplies/Printing	\$ 5,000	\$ 5,167	\$ 5,167
Postage	5,000	5,000	3,157
Legal Advertising	1,000	1,000	-
Publications/Subscriptions	300	719	718
Copier Lease	3,000	2,414	1,097
Cooler Rental	1,000	1,000	777
Office Equipment	3,000	4,500	-
	<u>\$ 18,300</u>	<u>\$ 19,800</u>	<u>\$ 10,916</u>
<b>Other</b>			
Telephone/Pagers	\$ 8,000	\$ 8,000	\$ 5,995
Medical Surveillance	1,200	1,200	-
Bank Service Charges	500	500	394
Record Destruction	5,000	5,000	-
Miscellaneous	3,000	3,000	123
	<u>\$ 17,700</u>	<u>\$ 17,700</u>	<u>\$ 6,512</u>
<b>Equipment</b>			
Equipment	\$ 5,000	\$ 5,000	\$ 3,386
General Supplies	2,500	2,500	400
Equipment Maintenance	3,000	3,000	1,905
	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 5,691</u>
<b>Total</b>	<u>\$ 1,091,013</u>	<u>\$ 1,214,115</u>	<u>\$ 1,146,072</u>
<b>Estimated Revenue</b>			
Municipal Assessments	\$ 124,403	\$ 124,403	\$ 124,402
County 2018/2019	150,000	91,500	92,326
County 2019/2020	-	71,250	107,277
Reserve	618,605	90,961	-
Deferred Revenue R&C	-	396,212	412,945
ERHC EQEF Fund	50,000	50,000	50,698
Misc Revenue	-	50,120	23
Newark Agreement	-	30,000	60,000
MRC Naccho	-	1,568	1,568
CDC Grant 2018/2019	148,005	151,966	151,964
CDC Grant 2019/2020	-	141,767	141,767
Radon	-	1,995	1,995
CD-LHP/2020	-	12,373	12,373
<b>Total</b>	<u>\$ 1,091,013</u>	<u>\$ 1,214,115</u>	<u>\$ 1,157,338</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 BUDGET TO GAAP RECONCILIATION GENERAL FUND  
 DECEMBER 31, 2019**

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		\$ 1,157,338
Revenues considered a current year revenue for financial reporting purposes:		
Interest Income	\$ 46,174	
Interest Penalty Enforcement Fund	<u>5,084</u>	<u>51,258</u>
Total Revenues as reported on Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,208,596</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from Budgetary Comparison Schedule		\$ 1,146,072
Rounding		\$ (2)
<u>Differences - Budget to GAAP</u>		
Governmental Funds report Capital Outlay as expenditures. However in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period.		<u>461</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities		<u>\$ 1,146,531</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
SCHEDULE OF GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE  
DECEMBER 31, 2019**

Essex County EQEF	\$ 37,122
Essex County CEHA & 105 Grant	122,777
State of New Jersey CD-LPH 2019/2020	12,373
State of New Jersey- CDC 2019/2020	79,622
City Newark CDC	30,000
Radon	<u>1,995</u>
Total	<u><u>\$ 283,889</u></u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
SCHEDULE OF ACCOUNTS RECEIVABLE MUNICIPALITIES  
DECEMBER 31, 2019**

Cedar Grove	\$ 3,038
Belleville	8,933
Irvington	10,597
Livingston	3
Maplewood	1
Millburn	3,691
Newark	30,854
West Orange	1,955
Orange	8,086
West Caldwell	<u>1,878</u>
Total	<u><u>\$ 69,036</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, 2019**

Grantor/Pass Through  
Grantor/Program Title

<u>Federal Awards</u>	<u>Federal CFDA Number Contract Number</u>	<u>Program or Award Amount</u>	<u>Federal Revenue Recognition</u>	<u>Expenditures</u>	
				<u>2018</u>	<u>2019</u>
<u>NJ State DEP Section 105 Grants</u>					
<u>County Essex CHEA Grant</u>					
7/1/19 - 6/30/20	66.001	\$ 69,428	\$ 34,714		\$ 34,714
7/1/18 - 6/30/19	66.001	\$ 69,428	69,428	\$ 34,714	34,714
<u>New Jersey Department of Health</u>					
<u>Hiper-Lincs Agencies</u>					
7/1/18-6/30/19	93.069	\$ 296,009	296,009	144,045	151,964
7/1/19-6/30/20	93.069	\$ 296,009	141,768		141,768
<u>Medical Reserve Corp.</u>					
2/12/18-8/31/18	93.08	\$ 2,500	1,568	-	1,568
Total			<u>\$ 543,487</u>	<u>\$ 178,759</u>	<u>\$ 364,728</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION**  
**GRANT NUMBER OLPH20PHC019**  
**STRENGTHENING LOCAL PUBLIC HEALTH CAPACITY PROGRAM**  
**12/31/19**

<u>Budget Period 11/1/19-6/30/20</u>	<u>State Grant Fund</u>	<u>Expenditures 2019</u>	<u>Questioned Costs</u>
<u>Cost Category</u>			
Salaries & Wages	\$ 57,057	\$ 9,716	\$ -
Fringe Benefits	7,347	762	-
<u>Other Direct Costs</u>			-
Professional Service Agreements	7,581	1,895	-
Supplies	22,841		-
Travel	174		-
Total	<u>\$ 95,000</u>	<u>\$ 12,373</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION  
PHILEP (LINCS AGENCIES) 2019  
PHLP18LNC023  
YEAR ENDED DECEMBER 31, 2019**

<u>Term 7/1/19 - 6/30/20</u>	<u>Final Approved Budget</u>	<u>Expenditures 2019</u>	<u>Questioned Costs</u>
<u>Cost Category</u>			
Salaries & Wages	\$ 205,095	\$ 97,521	\$ -
Fringe Benefits	36,348	17,127	-
Office Expenses & Related Costs	5,593	2,311	-
Program Expenses & Related Costs	8,293	4,602	-
Travel, Conferences & Meetings	1,394	684	-
Consultant/Professional	21,160	10,579	-
Facility Cost	<u>18,126</u>	<u>8,944</u>	<u>-</u>
 Total	 <u>\$ 296,009</u>	 <u>\$ 141,768</u>	 <u>\$ -</u>

See accompanying notes to financial statements.

**ESSEX REGIONAL HEALTH COMMISSION**  
**PHILEP (LINC AGENCIES) 2019**  
**PHLP17LNC018**  
**YEAR ENDED DECEMBER 31, 2019**

<u>Term 7/1/18-6/30/19</u>	Final Approved Budget	Expenditures 2018	Expenditures 2019	Total Expenditures	Questioned Costs
<u>Cost Category</u>					
Salaries & Wages	\$ 207,245	\$ 101,300	\$ 105,945	\$ 207,245	\$ -
Fringe Benefits	35,351	17,476	17,875	\$ 35,351	-
Consultant/Professional Services	21,160	10,580	10,580	\$ 21,160	-
Other	11,523	4,800	6,723	\$ 11,523	-
Travel, Conferences & Meetings	2,721	984	1,737	\$ 2,721	-
Facility Cost	18,009	8,905	9,104	\$ 18,009	-
Total	<u>\$ 296,009</u>	<u>\$ 144,045</u>	<u>\$ 151,964</u>	<u>\$ 296,009</u>	<u>\$ -</u>

See accompanying notes to financial statements



**INDEPENDENT AUDITOR'S REPORTS**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Essex Regional Health Commission (Essex), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Essex's basic financial statements, and have issued our report thereon dated September 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Essex's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Essex's internal control. Accordingly, we do not express an opinion on the effectiveness of Essex's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Essex's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DeSena & Company

East Hanover, New Jersey

September 15, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

*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 X no \_\_n/a
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_yes X no \_\_n/a
- C) Noncompliance material to general purpose financial statements noted? \_\_yes X no \_\_n/a

**Federal Awards Section**

- D) Material weakness(es) identified? \_\_yes X no \_\_n/a
- E) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_yes X no \_\_n/a

F) Programs Tested:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**State Awards Section**

G) Material weakness(es) identified? \_\_yes X no \_\_n/a

H) Were reportable condition(s) identified that were not considered to be material weaknesses? \_\_yes X no \_\_n/a

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

J) Programs tested:

Contract Number(s)  
N/A

Name of State Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

*Part 2 - Schedule of Financial Statement Findings*

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

NONE