

Financial Statements

Hudson Regional Health Commission

December 31, 2017

**HUDSON REGIONAL HEALTH COMMISSION
AUDIT REPORT
DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hudson Regional Health Commission
Secaucus, NJ 07628

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Hudson Regional Health Commission (Hudson), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Hudson'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 Hudson, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 18–34 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.

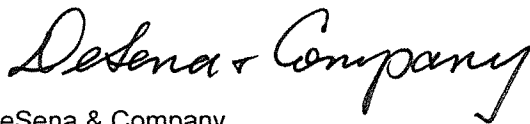
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hudson'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 6, 2018 on our consideration of Hudson'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 Hudson's internal control over financial reporting and compliance.



DeSena & Company

East Hanover, New Jersey
September 6, 2018

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John Sarnas, President

Carrie Nawrocki, Executive Director

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 26:3-83 et. 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

Each of the twelve municipalities of Hudson County is 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 and Health Officer functions as the CEO and is in full charge of all Commission operations. The Commission has on staff a Chief Financial Officer (CFO). The CFO holds the following licensures; Certified Municipal Financial Officer, Certified County Financial Officer and Qualified Purchasing Agent.

The Commission staff presently comprises twenty four 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 three general areas:

Environmental Health
Public Health
Mosquito Control

In addition, the Commission provides to certain municipalities related contractual services such as elevated blood lead level investigations (EBL).

Environmental Health Programs include those specified under the County Environmental Health Act (CEHA) (NJSA 26:3A2-21 et. seq.) and the Air Pollution Control Act (NJSA 26:2C-1 et. seq.).

"SERVING BAYONNE, EAST NEWARK, GUTTENBERG, HARRISON, HOBOKEN,
JERSEY CITY, KEARNY, NORTH BERGEN, SECAUCUS,
UNION CITY, WEEHAWKEN, WEST NEW YORK."

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

The mosquito control program consists of surveillance and control related activities directed at the identification and attenuation of mosquito populations throughout the County.

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 services to contracting governmental units such as its member municipalities, the County of Hudson, 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 1974, 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 necessary to continue operations as member municipalities were unable to increase 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.

As of 12/31/17, the Commission's fund balance of the Consolidated Funds was \$1,878,004 and unamortized deferred revenue, \$1,165,948.

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 such as an increased workload from the NJDEP (UST and ER) we have both LINC/S/BT Programs (inclusive of Jersey City), and Mosquito Control. We have a variety of revenue sources, authority and jurisdictions, but with great and growing responsibility and challenging fiscal vulnerabilities. If we include each municipality, our 2017 budget includes over twenty independent sources of revenue, each to varying degrees vulnerable to abrupt discontinuance.

The agency's fiscal issues are somewhat unique as is its organizational structure. An autonomous governmental agency, it functions in large part like a commercial enterprise. It has neither the ability to raise taxes nor a statutory mandate to exist. It acts as a legislatively-certified contractor providing an array of public/environmental health services to other levels of government, thus the aforementioned multitude of revenue sources. Beginning as exclusively an air pollution control agency some forty years ago, it has survived only through program expansion, cost efficiency, rigorous fiscal management and the delivery of quality services.

In anticipation of rising costs for medical benefits the Board took a major action in 2005 by discontinuing the post-retirement medical benefit for new employees hired after January 1 2005, thus permanently capping its liability in terms of eligible employees.

By joining a Joint Insurance fund (JIF), savings of approximately fifty percent was realized on ever escalating insurance premiums.

In 1996 the Commission was able to negotiate an arrangement with the County for office space which by some estimates has a value of \$250,000/year. Attrition has long been an integral component to the Commission's long term fiscal plan and has in fact begun to manifest with the retirement of the Assistant Director in 2010 and the Executive Director in 2011. Both of these positions were filled by promotions from within the organization; doing more with less will be a necessity in the years ahead. Additionally, in the past few years, positions have been left vacant upon retirement of employees. The work and grant requirements are met with current employees. Other cost cutting measures in the past few years included a cap on overtime, reduction in the longevity stipend for employees, as well as using current staff across programs to meet the needs of each program instead of hiring additional employees.

As has been referenced in previous reports and again above, the Commission is independent of county, state or local government. It has no ability to raise taxes or even increase its fees. Most of its revenue derives from grants, contracts, fees, and municipal subscriptions based upon a Joint Agreement, most of which are either capped or decreasing in both nominal and real terms. Fiscal management will continue to be the primary challenge of the Commission. In 2013, the Commission updated the contract with Hudson County to more fully fund the Statutory mandate of the County Environmental Health Act (26:3A2-21 et seq.)

Contacting the Commission's Management

This financial report is designed to provide a general overview of the Commission's finances, comply with 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 Carrie Nawrocki, at Meadowview Complex, 595 County Avenue, Building 1, Secaucus, New Jersey, 07094.

**HUDSON REGIONAL HEALTH COMMISSION
FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
DECEMBER 31, 2017**

| | General Fund | Environmental Quality Enforcement Fund | Penalty Enforcement Fund | Adjustments | Statement of Net Assets |
|---|---------------------|--|--------------------------------|-------------------|----------------------------|
| <u>Assets</u> | | | | | |
| Cash & Equivalents | \$ 172,403 | \$ 7,144 | | | \$ 179,547 |
| Cash Management Fund | 3,378,877 | 192,348 | \$ 98,154 | | 3,669,379 |
| Accounts Receivable Grants & Contracts | 781,440 | | | | 781,440 |
| Accounts Receivable Municipalities | 81,112 | | | | 81,112 |
| Accounts Receivable Fines | | 3,631,177 | | | 3,631,177 |
| Capital Assets net of Accumulated Depreciation (Note 10) | | | | 170,513 | 170,513 |
| | | | | | - |
| Total Assets | <u>\$ 4,413,832</u> | <u>\$ 3,830,669</u> | <u>\$ 98,154</u> | <u>\$ 170,513</u> | <u>\$ 8,513,168</u> |
| <u>Liabilities & Reserves</u> | | | | | |
| Accounts Payable | \$ 179,577 | | | | \$ 179,577 |
| Accrued Salaries | 1,584 | | | | 1,584 |
| Payroll Taxes & Deductions Payable | 15,299 | | | | 15,299 |
| Prepaid Registration Fees | 1,165,948 | | | | 1,165,948 |
| Unearned Notice Violations | | \$ 3,631,177 | | | 3,631,177 |
| Reserve Post Retirement Benefits | 960,321 | | | | 960,321 |
| Reserve for Expenditures HCIA | 7,633 | | | | 7,633 |
| Reserve Expend CRI | 200,463 | | | | 200,463 |
| Advances MRC Grant | 5,003 | | | | 5,003 |
| Due Hudson Regional Health Commission | | 151,973 | | | 151,973 |
| Due Hudson County Improvement Authority | | 47,519 | | | 47,519 |
| Total Liabilities & Reserves | <u>\$ 2,535,828</u> | <u>\$ 3,830,669</u> | <u>\$ -</u> | | <u>\$ 6,366,497</u> |
| <u>Fund Balances / Net Assets</u> | | | | | |
| Unreserved | \$ 1,878,004 | | | \$ 170,513 | \$ 2,048,517 |
| Reserved | | | \$ 98,154 | | \$ 98,154 |
| Total Liabilities & Fund Balances | <u>\$ 4,413,832</u> | <u>\$ 3,830,669</u> | <u>\$ 98,154</u> | <u>\$ 170,513</u> | <u>\$ 8,513,168</u> |
| <u>Net Assets:</u> | | | | | |
| Invested in Capital Assets | | | | | \$ 170,513 |
| Unrestricted General Fund | | | | | 1,878,004 |
| Restricted Penalty Enforcement | | | | | 98,154 |
| Total Net Assets | | | | | <u>\$ 2,146,671</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
STATEMENT OF GOVERNMENT FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

| | Environmental Activities | Public Health Activities | (EQEF) Environmental Activities | Total | Adjustments Note A | Statement of Activities |
|--------------------------------------|-----------------------------|--------------------------------|---------------------------------------|--------------|-----------------------|----------------------------|
| <u>Revenues</u> | | | | | | |
| Registrations | \$ 392,758 | | | | | |
| Municipal | 219,860 | | | | | |
| USEPA | 96,292 | | | | | |
| RTK | 17,575 | | | | | |
| NJDEPCHEA | 260,851 | | | | | |
| NJ Lead Program | 24,938 | | | | | |
| EQEF | | | \$ 79,550 | | | |
| HCIA | 149,996 | | | | | |
| County | 1,595,079 | | | | | |
| ERHC | 104,547 | | | | | |
| EBL Municipal | 18,000 | | | | | |
| Interest | 17,501 | | | | | |
| Miscellaneous | 13,845 | | | | | |
| CDC 2016/2017 | | \$ 363,981 | | | | |
| Mosquito Sandy Grant | | 979 | | | | |
| Hazardous Waste | 2,881 | | | | | |
| Mosquito Zika | | 13,127 | | | | |
| Mosquito Syngenta | | 7,651 | | | | |
| Penalty | 2,000 | | | | | |
| Total | \$ 2,916,123 | \$ 385,738 | \$ 79,550 | \$ 3,381,411 | | \$ 3,381,411 |
| <u>Expenses</u> | | | | | | |
| Personnel | \$ 2,520,220 | | | | | |
| Office | 27,124 | | | | | |
| Travel | 25,918 | | | | | |
| Contractual | 68,896 | | | | | |
| Equipment | 53,169 | | | | | |
| Other | 35,892 | | | | | |
| Grants & Contracts for Services: | | | | | | |
| CDC 2014 & 2015 | | \$ 363,981 | | | | |
| Mosquito Sandy Grant | | 979 | | | | |
| Mosquito Zika | | 13,127 | | | | |
| Mosquito Syngenta | | 7,651 | | | | |
| Depreciation | | | | | \$ 21,541 | |
| Capital Outlay | | | | | \$ (46,512) | |
| Total | \$ 2,731,219 | \$ 385,738 | \$ - | 3,116,957 | \$ (24,971) | \$ 3,091,986 |
| Total | \$ 184,904 | \$ - | \$ 79,550 | \$ 264,454 | \$ 24,971 | \$ 289,425 |
| <u>Excess Revenues(Expenditures)</u> | | | | | | |
| Changes in Net Assets | | | | | | |
| Fund Balances/Net Assets: | | | | | | |
| Beginning of Year | | | | | | 1,856,417 |
| Interest Income Penalty Enforcement | | | | | | 826 |
| Rounding | | | | | | 3 |
| End of Year | | | | | | <u>\$ 2,146,671</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
STATEMENT OF CASH FLOWS
DECEMBER 31, 2017**

| | | |
|---|----------------|---------------------------|
| Cash Flows From Operating Activities: | | |
| Excess of Revenues over Expenditures | | \$ 289,425 |
| Interest Income Penalty Enforcement | | 826 |
| Adjustments to reconcile Excess of Revenues Over Expenditures to Net Cash Provided by Operating Activities: | | |
| Decrease Prepaid Expenses | \$ 1,861 | |
| Increase Post Retirement Benefits | 8,090 | |
| Increase in Receivables | (184,247) | |
| Decrease in Accounts Payables | (1,009) | |
| Increase in Payroll Taxes & Deductions | 134 | |
| Decrease in Unearned Registration Fees | (232,837) | |
| Decrease Payable HCIA & HRHC-EQEF | (240,840) | |
| Depreciation | 21,541 | |
| Increase in Accrued Salaries | 381 | |
| Decrease in Reserves | (38) | |
| Decrease Advance Contract Payments | 0 | |
| Additions to Fixed Assets | (46,512) | |
| Increase Unearned Notices/Violations | <u>284,887</u> | <u>(388,589)</u> |
| Net Cash Used by Operating Activities | | \$ (98,338) |
| Net Increase in Cash & Cash Equivalents | | \$ (98,338) |
| Cash - Beginning of Period | | <u>3,947,264</u> |
| Cash - End of Period | | <u><u>\$3,848,926</u></u> |

See accompanying notes to financial statements.

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

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, i.e., 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

Agreement with Hudson County Improvement Authority (HCIA)

On January 1, 2018, Hudson Regional Health Commission entered into an agreement for a period of seven years (January 1, 2018 – December 31, 2024) with HCIA to develop, revise as necessary and supervise implementation of the solid waste component of the approved County Environmental Health Act Environment Work Plan. HCIA or recipient shall pay to Hudson Regional Health Commission \$154,494 annually. The \$154,494 component of the above compensation shall increase annually by 3.0% during the duration of this agreement. Any party to this contract may unilaterally withdraw from this agreement upon sixty (60) days written notice to all other parties.

Note 3

Registration and Certification Fees are recognized ratably over the registration period from January 1, 2016 to December 31, 2020. Registration fees collected during the twelve month period of January 1, 2017 to December 31, 2020 were collected for the 2020 registration period and income was recognized thru December 31, 2017.

Note 4

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 7.34% starting with the

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 4 (Continued)

payroll of 7/1/17 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 Equitable.

Note 5

On September 10, 2014, Hudson Regional Health Commission entered into an Interlocal Service Agreement with the Town of Secaucus. The term of this agreement is from June 1, 2014 to May 31, 2024 and may be extended further for a period of ten years. Either party may, at any time, cancel this agreement upon 60 days written notice. Under the ordinance entitled "The Air Pollution Code of Hudson Regional Health Commission" owners and/or operators of air contamination sources operating within the jurisdiction of the Commission must file their registration at the offices of the Commission located in Secaucus, New Jersey. Owners who fail to register air contamination sources are subject to fines and penalties. The Commission for the term of this agreement shall institute and prosecute violations of the Ordinance in the Municipal Court of the town of Secaucus. The town of Secaucus shall collect all fines associated with the violations of the Ordinance. Secaucus shall keep as revenues, fifty percent (50%) of the penalties or fines collected. The other fifty percent (50%) of the penalties and fines collected shall be paid to the Commission.

Note 6

Separation Agreement with D. Drake

In the meeting of March 28, 2003, the Commission approved the Separation agreement with D. Drake. This agreement awarded her lifetime medical benefits upon retirement from PERS under the Commission's Rules and Regulations Governing Employment. In consideration for this benefit, she would relinquish her right to payment for a certain portion of her unused sick leave.

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 7

On 12/2/16 a lease agreement was entered into with the Xerox Financial Services for a Xerox WC 7845 Copier. The total payments under this lease are:

| <u>Months</u> | <u>Monthly Rental</u> | <u>Total Payments</u> |
|---------------|-----------------------|-----------------------|
| 60 | \$204.00 | \$12,240 |

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

Line of Credit

On February 1, 2005 the Commission established a Variable Rate Nondisclosable Revolving Line of Credit with PCNC Bank, National Association in the amount of \$200,000. The primary purpose of the line is for Working Capital. The rate of interest is calculated by using the highest Prime Rate as published in the "Money Rates" section of the Wall Street Journal plus the margin of 1%. The line of Credit was renewed on February 1, 2018, with an expiration date of February 1, 2019.

Note 10

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 assets are depreciated over their normal useful lives, using the straight-line method of depreciation:

| | Net Balance <u>12/31/16</u> | Additions 2017 | Disposal 2017 | Net Balance <u>12/31/17</u> |
|--------------------------|--------------------------------|-----------------|------------------|--------------------------------|
| Cost of Capital Assets | \$1,326,533 | \$46,512 | \$(20,706) | \$1,352,339 |
| Accumulated Depreciation | <u>(1,180,991)</u> | <u>(21,540)</u> | <u>20,706</u> | <u>(1,181,826)</u> |
| Total | <u>\$145,542</u> | <u>\$24,971</u> | <u>\$ -</u> | <u>\$170,513</u> |

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

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.

Note 12

Contracts for Service and Grant Agreement Contracts

The Commission has entered into Contracts for Services with:

| | | |
|-------------------------|--------------------|--------------|
| MUNICIPAL | 1/1/18-12/31/18 | 219,860.00 |
| USEPA/CEHA 2017/2018 | 1/1/18-6/30/18 | 48,146.00 |
| USEPA/CEHA 2018/2019 | 07/01/18-12/31/18 | 48,146.00 |
| CEHA/NJDEP 2017/2018 | 1/1/18-6/30/18 | 98,035.00 |
| CEHA/NJDEP 2018/2019 | 07/01/18-12/31/18 | 98,035.00 |
| CEHA/UST 2017/2018 | 1/1/18-6/30/18 | 26,250.00 |
| CEHA/UST 2018/2019 | 07/01/18-12/31/18 | 26,250.00 |
| CEHA/IDLING 2017/2018 | 1/1/18-6/30/18 | 7,853.00 |
| CEHA/IDLING 2018/2019 | 07/01/18-12/31/18 | 7,853.00 |
| RTK 2017/2018 | 1/1/18-6/30/18 | 8,787.50 |
| RTK 2018/2019 | 07/01/18-12/31/18 | 8,787.50 |
| HCIA | 1/1/18-12/31/18 | 154,495.00 |
| COUNTY | 1/1/18-12/31/18 | 1,626,980.00 |
| ERHC | 1/1/18-12/31/18 | 99,468.00 |
| EBL: Bayonne 2017/2018 | 1/1/18-6/30/18 | 900.00 |
| Bayonne 2018/2019 | 07/01/18-12/31/18 | 900.00 |
| East Newark 2017/2018 | 01/01/18-11/30/18 | 0.00 |
| East Newark 2018/2019 | 12/1/2018-12/31/18 | 0.00 |
| Guttenberg 2017/2018 | 01/01/18-11/30/18 | 0.00 |
| Guttenberg 2018/2019 | 12/1/2018-12/31/18 | 0.00 |
| Harrison 2017/2018 | 1/1/18-07/31/18 | 350.00 |
| Harrison 2018/2019 | 8/1/18-12/31/18 | 250.00 |
| Hoboken 2017/2018 | 1/1/18-05/31/18 | 250.00 |
| Hoboken 2018/2019 | 06/01/18-12/31/18 | 350.00 |
| Kearny 2017/2018 | 1/1/18-02/28/18 | 200.00 |
| Kearny 2018/2019 | 3/1/18-12/31/18 | 1,000.00 |
| N. Bergen 2017/2018 | 1/1/18-05/31/18 | 250.00 |
| N. Bergen 2018/2019 | 06/01/18-12/31/18 | 350.00 |
| Secaucus 2017/2018 | 1/1/18-09/30/18 | 0.00 |
| Secaucus 2018/2019 | 10/01/18-12/31/18 | 0.00 |
| Union City 2017/2018 | 1/1/18-02/28/18 | 600.00 |
| Union City 2018/2019 | 3/1/18-12/31/18 | 3,000.00 |
| Wewhawken 2017/2018 | 01/01/18-11/30/18 | 0.00 |
| Wewhawken 2018/2019 | 12/1/2018-12/31/18 | 0.00 |
| West New York 2017/2018 | 1/1/18-1/31/18 | 100.00 |
| West New York 2018/2019 | 2/2/18-12/31/18 | 1,100.00 |

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 12

Contracts for Service and Grant Agreement Contracts (Continued)

| | | |
|-------------------------------|--------------------------------|---------------------|
| EQEF | 1/1/18-12/31/18 | 116,241.00 |
| DEFERRED REVENUE R&C | 1/1/18-12/31/18 | 187,277.00 |
| MISC. REVENUE | 1/1/18-12/31/18 | 25,000.00 |
| MRC | 1/1/18-07/31/18 | 0.00 |
| MRC RESERVE | 1/1/18-12/31/18 | 0.00 |
| CRI-RESERVE | 1/1/18-12/31/18 | 0.00 |
| CDC BASE 2017/2018 | 07/01/18-12/31/18 | 118,051.00 |
| CRI-CDC 2017/2018 | 07/01/18-12/31/18 | 49,356.00 |
| CDC-MRC 2017/2018 | 07/01/18-12/31/18 | 4,089.00 |
| CDC-STD 2017/2018 | 07/01/18-12/31/18 | 2,745.00 |
| CDC-STD 2017/2018 Jersey City | 07/01/18-12/31/18 | 28,479.00 |
| CDC-BASE 2018/2019 | 1/1/18-6/30/18 | 119,099.00 |
| CDC-CRI 2018/2019 | 1/1/18-6/30/18 | 50,410.00 |
| CDC-MRC 2018/2019 | 1/1/18-6/30/18 | 2,300.00 |
| HCIA EQEF RESEVE | 1/1/18-12/31/18 | 0.00 |
| STATE LEAD GRANT 2017/2018 | 1/1/18-6/30/18 | 214,438.00 |
| STATE LEAD GRANT 2018/2019 | grant in process as of 5/17/18 | 0.00 |
| SYNGENTA MOSQ | 1/1/18-12/31/18 | 0.00 |
| TOTAL | | <u>3,406,031.00</u> |

Note 13

Equipment Loan- State of NJ Dept. of Health & Senior Svcs.

On June 24, 2004, the Commission entered into an Equipment Loan agreement with the State of NJ Dept. Health & Senior Services. The State of NJ loaned twelve Dell X300 laptop computers to be used in Bioterrorism and related response clinic activities. Under this agreement, there are no payments due to the State. At the expiration of this agreement the Commission has agreed to return the property to the State. An annual inventory of the use of equipment is to be provided to the State in an annual report.

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 14

Other Post-Employment Benefits (“OPEB”)

Plan Description

On September 12, 2007, the Commission passed Resolution # 06-05-04, to provide other post-retirement healthcare benefits to all full time employees hired prior to January 1, 2005. During 2011 and 2012 contributions were made to the reserve established for post-retirement health benefits, bringing the reserve to a total fund of \$943,342. This funding arrangement terminated with Board Resolution on June 12, 2013 meeting. The Commission decided to fund its post-retirement health care benefits on a pay as you go basis.

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

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. The Commission authorized through resolution participation in the SHBP’s post-retirement benefit program, covering all full time employees hired prior to January 1, 2005.

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

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 15

Funding Policy

Other Post-Employment Benefits ("OPEB")

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 are billed to the Commission on a monthly basis. The Commission's contributions to the SHBP for the years ended December 31, 2009 thru 2017 were as follows:

| <u>Year</u> | <u>Required Contribution</u> | <u>Number Retired Eligible Participants</u> |
|-------------|------------------------------|---|
| 2009 | \$17,784 | 1 |
| 2010 | 22,773 | 2 |
| 2011 | 52,697 | 3 |
| 2012 | 75,184 | 4 |
| 2013 | 108,432 | 4 |
| 2014 | 102,522 | 4 |
| 2015 | 119,195 | 5 |
| 2016 | 141,402 | 6 |
| 2017 | 134,862 | 6 |

Note 16

Other

As of December 31, 2017 the Commission had uninsured cash balances totaling \$3,669,379 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.

Hudson Regional Health Commission
Notes to Financial Statements
December 31, 2017

Note 17

On July 2, 2013, Hudson Regional Health Commission entered into a seven year contract with the County of Hudson to provide New Jersey Environmental Health Act Services. The compensation under the contract is as follows:

| | |
|-------|---------------------|
| 2013 | \$1,110,971 |
| 2014 | \$1,333,165 |
| 2015 | \$1,533,140 |
| 2016 | \$1,563,803 |
| 2017 | \$1,595,079 |
| 2018 | \$1,626,980 |
| 2019 | <u>\$1,659,520</u> |
| Total | <u>\$10,422,658</u> |

The Shared Service Agreement shall commence on January 1, 2013 and continues through December 31, 2019. The County, however, may unilaterally terminate this Shared Services Agreement at any time by giving written notice to the Commission.

Note 18

The Commission's Employees participate in the State of New Jersey's Health Insurance Plan. Contributions are based on percentage of Salary Range and plan selected. Employee contributions are pre-tax under a Section 125 plan.

Note 19

On April 1, 2014, the Commission entered into an agreement with Essex Regional Health Commission (Essex) to provide the services of a Licensed Health Officer who will administer all the activities of Essex. The terms of this agreement shall be automatically extended for a successive one (1) year period unless negotiated or terminated by either party. Essex agrees to pay the provider \$16,117 per calendar quarter.

Note 20

On December 13, 2016 the Commission entered into an agreement with Essex Regional Health Commission (Essex) to provide the services of a Chief Financial Officer & Qualified Purchasing Agent who will administer Essex's financial and purchasing activities. The fee for these services is \$8,750 per calendar quarter. The term of this agreement shall be automatically extended for successive (1) year periods.

SUPPLEMENTARY INFORMATION

**HUDSON REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

| <u>CATEGORY</u> | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> |
|--|-------------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> <u>(See Note A)</u> |
| <u>PERSONNEL</u> | | | |
| SALARIES | \$ 1,659,472 | \$ 1,670,822 | \$ 1,655,886 |
| OVERTIME | 23,500 | 17,407 | 20,514 |
| OVERTIME IDLING | - | 10,164 | |
| PAYROLL TAXES | 129,699 | 132,658 | 130,395 |
| ON CALL | 14,000 | 14,000 | 6,920 |
| TEMPORARY | 21,000 | 21,000 | 18,262 |
| WORKER'S COMPENSATION | 30,000 | 33,200 | 33,048 |
| HEALTH BEN. | 313,285 | 311,285 | 292,690 |
| DENTAL | 17,000 | 17,000 | 15,429 |
| P.E.R.S. | 200,000 | 212,500 | 212,214 |
| RETIREE BEN. | 156,342 | 156,342 | 134,862 |
| TOTAL | <u>\$ 2,564,298</u> | <u>\$ 2,596,378</u> | <u>\$ 2,520,220</u> |
| <u>GRANT PROGRAMS (*INCLUSIVE OF P/R)</u> | | | |
| CDC STD 2017-2018 | - | \$ 2,005 | \$ 2,005 |
| CDC STD 2017-2018 JERSEY CITY | - | 19,311 | 19,311 |
| CDC-BASE 2016/2017 | 116,333 | 115,742 | 115,742 |
| CDC-BASE 2017/2018 | - | 118,922 | 118,922 |
| CDC-CRI 2016/2017 | 47,541 | 47,956 | 47,956 |
| CDC-CRI 2017/2018 | - | 52,688 | 52,688 |
| CDC-MRC 2016-2017 | 2,300 | 3,529 | 3,529 |
| CDC-MRC 2017-2018 | - | 511 | 511 |
| CDC-ZIKA 2016/2017 | - | 3,317 | 3,317 |
| SANDY GRANT MOSQUITO | - | 979 | 979 |
| SYNGENTA MOSQ. GRANT | - | 7,650 | 7,651 |
| ZIKA MOSQUITO | - | 13,127 | 13,127 |
| TOTAL | <u>\$ 166,174</u> | <u>\$ 385,737</u> | <u>\$ 385,738</u> |
| <u>OFFICE</u> | | | |
| OFF. SUPPLIES | \$ 12,000 | \$ 13,500 | \$ 13,235 |
| POSTAGE | 6,000 | 6,200 | 5,870 |
| COPIER LEASE | 3,100 | 3,100 | 2,314 |
| PUB./SUB. | 2,000 | 2,000 | 1,494 |
| LEGAL ADVERTISEMENT | 1,000 | 1,000 | 35 |
| COOLER RENTAL | 200 | 200 | 132 |
| OFF./COMP. EQUIPMENT | 15,000 | 15,000 | 4,044 |
| TOTAL | <u>\$ 39,300</u> | <u>\$ 41,000</u> | <u>\$ 27,124</u> |
| <u>TRAVEL</u> | | | |
| CONV. & MEETINGS | \$ 3,500 | \$ 3,500 | \$ 1,253 |
| AUTO MAINTENANCE | 10,000 | 12,500 | 11,458 |
| GASOLINE | 15,000 | 15,000 | 12,402 |
| MILEAGE REIMBURSEMENT | 500 | 850 | 805 |
| TOTAL | <u>\$ 29,000</u> | <u>\$ 31,850</u> | <u>\$ 25,918</u> |
| <u>CONTRACTUAL</u> | | | |
| INSURANCE/RISK MNGMNT CONSULTANT | \$ 36,000 | \$ 36,000 | \$ 28,854 |
| AUDITOR | 19,500 | 20,296 | 19,434 |
| LEGAL | 20,000 | 20,000 | 15,839 |
| PAYROLL SERVICE | 3,100 | 3,300 | 3,269 |
| WEATHER/EMERG. OPER. AGREEMENT | 1,500 | 1,500 | 1,500 |
| TOTAL | <u>\$ 80,100</u> | <u>\$ 81,096</u> | <u>\$ 68,896</u> |
| <u>EQUIPMENT</u> | | | |
| GENERAL SUPPLIES | \$ 6,000 | \$ 10,200 | \$ 10,023 |
| EQUIPMENT | 11,000 | 10,824 | 5,179 |
| EQUIPMENT MTCE | 5,000 | 7,800 | 7,791 |
| VEHICLE | 30,000 | 30,176 | 30,176 |
| TOTAL | <u>\$ 52,000</u> | <u>\$ 59,000</u> | <u>\$ 53,169</u> |
| <u>OTHER</u> | | | |
| TRAINING | \$ 6,000 | \$ 6,000 | \$ 4,562 |
| COMMUN. | 18,000 | 18,000 | 16,254 |
| MED. SURV. | 4,000 | 4,000 | - |
| LABORATORY | 3,000 | 3,000 | 2,385 |
| COMM. MEET. | 1,000 | 1,000 | 987 |
| BANK SERVICE FEES | 700 | 700 | 517 |
| MISCELLANEOUS | 1,000 | 1,000 | 159 |
| MEMBERSHIP/LICENSE | 2,000 | 2,000 | 1,038 |
| RES. FOR EMERGENCY OPER. | 5,000 | 5,000 | - |
| MOVING EXPENSES | 7,000 | 7,000 | - |
| RECORD SCANNING | 10,000 | 10,000 | 9,990 |
| RECORD DESTRUCTION | 1,500 | 1,500 | - |
| TOTAL | <u>\$ 59,200</u> | <u>\$ 59,200</u> | <u>\$ 35,892</u> |
| TOTAL EXPENDITURES | <u>\$ 2,990,072</u> | <u>\$ 3,254,261</u> | <u>\$ 3,116,957</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | Actual Amounts |
|--------------------------------------|---------------------|---------------------|---------------------------------|
| | Original | Final | Budgetary Basis (See Note A) |
| <u>ESTIMATED REVENUE</u> | | | |
| MUNICIPAL | \$ 219,860 | \$ 219,860 | \$ 219,860 |
| USEPA | 96,292 | 96,292 | 96,292 |
| RTK | 17,575 | 17,575 | 17,575 |
| CEHA/NJDEP/PESTICIDE | 196,470 | 196,120 | 196,120 |
| CEHA/NJDEP/UST | 52,500 | 52,500 | 52,500 |
| CEHA/NJDEP/IDLING | 13,500 | 12,231 | 12,231 |
| HCIA | 149,996 | 149,996 | 149,996 |
| COUNTY | 1,595,079 | 1,595,079 | 1,595,079 |
| ERHC | 99,468 | 104,547 | 104,547 |
| EBL: Bayonne | 1,800 | 1,800 | 1,800 |
| Harrison | 600 | - | - |
| Guttenberg | - | 1,200 | 1,200 |
| Hoboken | 600 | 1,200 | 1,200 |
| Kearny | 1,200 | 600 | 600 |
| North Bergen | 600 | 2,400 | 2,400 |
| Secaucus | - | 1,200 | 1,200 |
| Union City | 3,600 | 6,000 | 6,000 |
| Weehawkin | - | 600 | 600 |
| West New York | 1,200 | 3,000 | 3,000 |
| EQEF | 79,550 | 79,550 | 79,550 |
| DEFERRED REVENUE R&C | 274,708 | 265,601 | 392,758 |
| MISC. REVENUE | 6,800 | 34,235 | 13,844 |
| STATE LEAD GRANT | 12,500 | 24,938 | 24,938 |
| HRHC PENALTY | - | 2,000 | 2,000 |
| CDC-BASE 2016/2017 | 116,333 | 115,742 | 115,742 |
| CDC-CRI 2016/2017 | 47,541 | 47,956 | 47,956 |
| CDC-MRC 2016/2017 | 2,300 | 3,529 | 3,529 |
| CDC-ZIKA 2016/207 | - | 3,317 | 3,317 |
| CDC-BASE 2017/2018 | - | 118,922 | 118,922 |
| CDC-CRI 2017/2018 | - | 52,688 | 52,688 |
| CDC-MRC 2017/2018 | - | 511 | 511 |
| CDC-STD 2017/2018 | - | 2,005 | 2,005 |
| CDC-STD 2017/2018 Jersey City | - | 19,311 | 19,311 |
| MOSQUITO SANDY GRANT | - | 979 | 979 |
| SYNGENTA MOSQ. GRANT | - | 7,650 | 7,650 |
| ZIKA MOSQUITO | - | 13,127 | 13,127 |
| TOTAL | <u>\$ 2,990,072</u> | <u>\$ 3,254,261</u> | <u>\$ 3,361,027</u> |
| EXCESS REVENUES/ EXPENDITURES | | | <u>\$ 244,071</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION- GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

Note A - Explanation of Differences between Budgetary inflows and outflows and
GAAP Revenues and Expenditures

| | | <u>General Fund</u> |
|--|-----------|----------------------------|
| <u>Sources/Inflows of resources</u> | | |
| Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule | | \$ 3,361,027 |
| Rounding | | (5) |
| Difference - budget to GAAP: | | |
| Interest Revenue | \$ 17,501 | |
| HCIA Harzardous Waste | 2,888 | 20,389 |
| | | <hr/> |
| Total Revenues as reported on the statement of revenues, expenditures and changes in fund balances Governmental Funds/ Statement of Activities | | <u><u>\$ 3,381,411</u></u> |
| <u>Uses/Outflows of Resources</u> | | |
| Actual Amounts (budgetary Basis) "total charges to appropriations" from Budgetary Comparison Schedule | | \$ 3,116,957 |
| Differences - Budget to GAAP: | | |
| Government funds report Capital outlays 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 | | <hr/> (24,971) |
| Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities | | <u><u>\$ 3,091,986</u></u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
SCHEDULE OF GRANTS & CONTRACTS RECEIVABLE
DECEMBER 31, 2017**

| | |
|---|---------------|
| NJ Dept. of Environmental Protection (CEHA) | \$ 102,579 |
| NJ Dept. of Environmental Protection (USEPA) | 48,146 |
| County of Hudson | 398,770 |
| Hudson County Improvement Authority | 1,646 |
| NJ Dept. of Health (County Right to Know) | 4,393 |
| NJ Dept. of Health Lead Contracts | 6,219 |
| NJ Dept. of Health CDC | 193,437 |
| NJ Dept. of Environmental Protection (CEHA) (UST) | <u>26,250</u> |

| | |
|-------|--------------------------|
| Total | <u><u>\$ 781,440</u></u> |
|-------|--------------------------|

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
SCHEDULE OF ACCOUNTS RECEIVABLE MUNICIPALITIES
DECEMBER 31, 2017**

| | |
|---------------|------------------|
| Bayonne | 27,744 |
| East Newark | 165 |
| Weehawken | 3,239 |
| West New York | 5,048 |
| Harrison | 1,265 |
| Hoboken | 4,777 |
| Jersey City | 21,986 |
| Kearney | 600 |
| North Bergen | 6,417 |
| Secaucus | 2,574 |
| Union City | <u>7,297</u> |
| Total | <u>\$ 81,112</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
SCHEDULE OF FEDERAL & STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

| Grantor/Pass Through Grantor/Program Title | Federal CFDA Number/ Contract Number | Program or Award Amount | Federal Revenue Recognition | State Revenue Recognition | Expenditure | |
|--|--|-------------------------------|-----------------------------------|---------------------------------|-------------------|-------------------|
| | | | | | 2016 | 2017 |
| <u>Federal Awards</u> | | | | | | |
| US Environmental Agency Air Pollution/Clean Air Act 7/1/16-6/30/17 | 66.605 | \$ 96,292 | \$ 96,292 | | \$ 48,146 | \$ 48,146 |
| US Environmental Agency Air Pollution/Clean Air Act 7/1/17-6/30/18 | 66.605 | \$ 96,292 | \$ 48,146 | | - | 48,146 |
| NJ Dept. of Health: Hiper (Lincs Agencies) 7/1/16-6/30/17 | 93.069 93.323 93.758 | \$ 332,346 | 332,346 | | 161,804 | 170,542 |
| 7/1/17-6/30/18 | 93.069 93.323 93.758 | \$ 396,159 | 193,437 | | - | 193,437 |
| Child Health 7/1/16/6/30/17 | 93.994 | \$ 25,000 | 25,000 | | 12,500 | 12,500 |
| Sandy Mosquito Control | HUD | \$ 105,000 | 105,000 | | 104,022 | 978 |
| Child Health 7/1/17-6/30/18 | 93.994 | \$ 24,875 | 12,438 | | - | 12,438 |
| Zika Funding | 93.323 | \$ 13,127 | <u>13,127</u> | | <u>-</u> | <u>13,127</u> |
| Total Federal Awards | | | <u>\$ 825,786</u> | | <u>\$ 326,472</u> | <u>\$ 499,314</u> |
| <u>State of NJ Awards</u> | | | | | | |
| NJ Dept. of Environmental Protection County Environmental Health Act | CEHA | | | | | |
| 7/1/16-7/30/17 | EN16-017 | \$ 262,170 | | \$ 262,170 | \$ 131,085 | \$ 131,085 |
| 7/1/17-6/30/18 | EN17-018 | \$ 262,070 | | 128,976 | - | 128,976 |
| NJ Dept. of Health & Senior Services: County Right to Know | 2016/2017-RTKOLA | | | | | |
| 7/1/17-6/30/18 | | \$ 17,575 | | 8,787 | - | 8,788 |
| 7/1/16-6/30/17 | | \$ 17,575 | | <u>17,575</u> | <u>8,787</u> | <u>8,787</u> |
| Total State Awards | | | | <u>\$ 417,508</u> | <u>\$ 139,872</u> | <u>\$ 277,636</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
AIR POLLUTION CONTROL PROGRAM SUPPORT
CLEAN AIR ACCT. SEC 105
YEAR ENDED DECEMBER 31, 2017

| | <u>Budget</u> | <u>Expenditures 2016</u> | <u>Expenditures 2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|---------------------------------|------------------|------------------------------|------------------------------|---------------------------------|-----------------------------|
| Project Period 7/1/16 - 6/30/17 | \$ 96,291 | \$ 48,146 | \$ 48,145 | \$ 96,291 | - |
| Project Period 7/1/16 - 6/30/18 | <u>\$ 96,292</u> | <u>\$ -</u> | <u>\$ 48,146</u> | <u>\$ 48,146</u> | <u>-</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
NJ DEPARTMENT OF HEALTH & SENIOR SERVICES
HIPER (LINCS AGENCIES)
PHILEP (LINCS AGENCIES) 2017
YEAR ENDED DECEMBER 31, 2017

| | <u>Budget</u> <u>7/1/16-6/30/17</u> | <u>Expended</u> <u>2016</u> | <u>Expended</u> <u>2017</u> | <u>Audited</u> <u>Expenditures</u> | <u>Questioned</u> <u>Costs</u> |
|---------------------------------|--|--------------------------------|--------------------------------|---------------------------------------|-----------------------------------|
| <u>Cost Category</u> | | | | | |
| Personnel Costs | \$ 225,244 | \$ 112,018 | \$ 117,298 | \$ 229,316 | \$ - |
| Fringe Benefits | 78,505 | 36,166 | 37,720 | 73,886 | - |
| <u>Other Cost Categories</u> | | | | | |
| Office Expenses & Related Cost | 6,265 | 5,041 | 2,828 | 7,869 | - |
| Program Expense & Related Costs | 12,559 | 4,884 | 7,867 | 12,751 | - |
| Travel, Conferences & Meetings | 6,500 | 2,058 | 3,192 | 5,250 | - |
| Consultant | <u>3,273</u> | <u>1,637</u> | <u>1,637</u> | <u>3,274</u> | |
| Total | <u>\$ 332,346</u> | <u>\$ 161,804</u> | <u>\$ 170,542</u> | <u>\$ 332,346</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
NJ DEPARTMENT OF HEALTH & SENIOR SERVICES
PHILEP (LINCS AGENCIES) 2017
GRANT #PHLP 18 LN C024
YEAR ENDED DECEMBER 31, 2017

| | <u>Budget</u> <u>7/1/17-6/30/18</u> | <u>Expended</u> <u>12/31/2017</u> | <u>Audited</u> <u>Expenditures</u> | <u>Questioned</u> <u>Costs</u> |
|-----------------------------------|--|--------------------------------------|---------------------------------------|-----------------------------------|
| <u>Budget Categories</u> | | | | |
| Personnel Costs | | | | |
| Salaries & Wages | \$ 244,399 | \$ 120,585 | \$ 120,585 | \$ - |
| Fringe Benefits | 83,617 | 44,740 | 44,740 | - |
| Consultant/ Professional Services | 3,961 | 1,980 | 1,980 | - |
| | | | | - |
| <u>Other Cost Categories</u> | | | | |
| Office Expenses & Related Cost | 4,731 | 2,569 | 2,569 | - |
| Program Expense & Related Costs | 6,325 | 1,592 | 1,592 | - |
| Sub-Grants | 47,791 | 19,312 | 19,312 | - |
| Travel, Conferences & Meetings | 5,335 | 2,659 | 2,659 | - |
| | | | | - |
| Total | <u>\$ 396,159</u> | <u>\$ 193,437</u> | <u>\$ 193,437</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
STATE OF N.J. DEPARTMENT OF ENVIRONMENTAL PROTECTION
(CEHA) GO# EN 17-017
YEAR ENDED DECEMBER 31, 2017

| | <u>Final Approved Budget</u> | <u>Expended 12/31/2016</u> | <u>Expended 12/31/2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|-----------------------------|--------------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------------|
| <u>Term 7/1/16- 6/30/17</u> | | | | | |
| <u>Cost Category</u> | | | | | |
| Salaries | \$ 138,000 | \$ 69,000 | \$ 69,000 | \$ 138,000 | \$ - |
| SWUCA | \$ 42,000 | \$ 21,000 | \$ 21,000 | \$ 42,000 | - |
| <u>Other Costs</u> | | | | | |
| MVC Idling | 13,500 | 6,750 | 6,750 | \$ 13,500 | - |
| Pesticides | 8,470 | 4,235 | 4,235 | \$ 8,470 | - |
| NJEMS | 7,700 | 3,850 | 3,850 | \$ 7,700 | - |
| Total | <u>\$ 209,670</u> | <u>\$ 104,835</u> | <u>\$ 104,835</u> | <u>\$ 209,670</u> | <u>\$ -</u> |
| <u>Term 7/1/16- 6/30/17</u> | | | | | |
| UST | <u>52,500</u> | <u>26,250</u> | <u>26,250</u> | <u>\$ 52,500</u> | <u>-</u> |
| Total | <u><u>\$ 262,170</u></u> | <u><u>\$ 131,085</u></u> | <u><u>\$ 131,085</u></u> | <u><u>\$ 262,170</u></u> | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
STATE OF N.J. DEPARTMENT OF ENVIRONMENTAL PROTECTION
(CEHA) GO# EN18-018
YEAR ENDED DECEMBER 31, 2017

| | <u>Final Approved Budget</u> | <u>Expended 12/31/2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|-----------------------------|--------------------------------------|--------------------------------|---------------------------------|-----------------------------|
| <u>Term 7/1/17- 6/30/18</u> | | | | |
| <u>Cost Category</u> | | | | |
| Salaries | \$ 180,000 | \$ 90,000 | \$ 90,000 | \$ - |
| <u>Other Costs</u> | | | | |
| NJEMS | 7,600 | 3,800 | 3,800 | - |
| MVC Idling | 13,500 | 4,691 | 4,691 | - |
| Pesticides | 8,470 | 4,235 | 4,235 | - |
| Total | <u>209,570</u> | <u>102,726</u> | <u>102,726</u> | <u>-</u> |
| <u>Term 7/1/17- 6/30/18</u> | | | | |
| UST | <u>52,500</u> | <u>26,250</u> | <u>26,250</u> | <u>-</u> |
| Total | <u><u>\$ 262,070</u></u> | <u><u>\$ 128,976</u></u> | <u><u>\$ 128,976</u></u> | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
NJ DEPARTMENT OF HEALTH AND SENIOR SERVICES
COUNTY RIGHT TO KNOW
GRANT RTKLOA/2018 RTKLOA
YEAR ENDED DECEMBER 31, 2017

| | <u>Final Budget</u> | <u>Expended 12/31/2016</u> | <u>Expended 12/31/2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|-------------------------------------|-------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------------|
| <u>July 1, 2016 - June 30, 2017</u> | <u>\$ 17,575</u> | <u>\$ 8,787</u> | <u>\$ 8,788</u> | <u>\$ 17,575</u> | <u>\$ -</u> |
| <u>July 1, 2017 - June 30, 2018</u> | <u>\$ 17,575</u> | <u>\$ 8,787</u> | <u>\$ 8,787</u> | <u>\$ 8,787</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
STATE OF N.J. DEPARTMENT OF ENVIRONMENTAL PROTECTION
PAST SUPERSTORM SANDY HEALTHY COMMUNITY
ENVIRONMENTS GRANT PROGRAM (CDBG-DR)
MOSQUITO CONTROL
YEAR ENDED DECEMBER 31, 2017

| | <u>Final Approved Budget</u> | <u>Expended 12/31/2016</u> | <u>Expended 12/31/2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|----------------------|--------------------------------------|--------------------------------|--------------------------------|---------------------------------|-----------------------------|
| Term 4/2/15-5/31/17 | | | | | |
| <u>Cost Category</u> | | | | | |
| Salaries | \$ 95,923 | \$ 94,945 | \$ 978 | \$ 95,923 | - |
| Supplies | <u>9,077</u> | <u>9,077</u> | <u>-</u> | <u>9,077</u> | <u>-</u> |
| Total | <u>\$ 105,000</u> | <u>\$ 104,022</u> | <u>\$ 978</u> | <u>\$ 105,000</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION
SYNGENTA CROP PROTECTION-CONTRACT SERVICE
YEAR ENDED ENDED DECEMBER 31, 2017**

| <u>Term</u> | <u>Final Budget</u> | <u>Expended 2016</u> | <u>Expended 2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|-------------------------|---------------------------|--------------------------|--------------------------|---------------------------------|-----------------------------|
| 7/15/16-6/30/17 2017 | \$ 10,800 <u>7,500</u> | \$ 10,650 <u>-</u> | \$ 150 <u>7,500</u> | \$ 10,800 <u>7,500</u> | - <u></u> |
| Total | <u>\$ 18,300</u> | <u>\$ 10,650</u> | <u>\$ 7,650</u> | <u>\$ 18,300</u> | <u>-</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
NEW JERSEY DEPARTMENT OF HEALTH
CHILD HEALTH 2018
CHILD HEALTH 2017
GRANT # DFHSCHD017/18
YEAR ENDED ENDED DECEMBER 31, 2017

| | <u>Budget</u> | <u>Expended 2016</u> | <u>Expended 2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|--------------------------------|---------------|--------------------------|--------------------------|---------------------------------|-----------------------------|
| Budget Period 7/1/16 - 6/30/17 | \$ 25,000 | \$ 12,500 | \$ 12,500 | \$ 25,000 | - |
| Budget Period 7/1/17 - 6/30/18 | \$ 24,875 | - | 12,438 | 12,438 | - |
| | | <u>\$ 12,500</u> | <u>\$ 24,938</u> | <u>\$ 37,438</u> | <u>-</u> |

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION
DEPARTMENT OF ENVIRONMENTAL PROTECTION
FEDERAL CDC ELC ZIKA FUNDING
YEAR ENDED ENDED DECEMBER 31, 2017

| | <u>Budget</u> | <u>Expended 2017</u> | <u>Audited Expenditures</u> | <u>Questioned Costs</u> |
|------------------------------|------------------|--------------------------|---------------------------------|-----------------------------|
| Budget Period 8/1/16-7/31/17 | <u>\$ 13,127</u> | <u>\$ 13,127</u> | <u>\$ 13,127</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

Hudson Regional Health Commission

Seacaucus, NJ 07628

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 Hudson Regional Health Commission (Hudson), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Hudson's basic financial statements, and have issued our report thereon dated September 6, 2018.

Internal Control over Financial Reporting

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

A handwritten signature in black ink that reads "DeSena & Company". The script is cursive and fluid, with the first letters of "DeSena" and "Company" being capitalized and prominent.

DeSena & Company

East Hanover, New Jersey

September 6, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Commissioners
Hudson Regional Health
Secaucus, NJ 07628

Report on Compliance for Each Major Federal Program

We have audited Hudson Regional Health Commission's (Hudson) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hudson's major federal programs for the year ended December 31, 2017. Hudson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hudson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance), and NJ OMB Circular 15-08. Those standards and the Uniform Guidance and NJ OMB Circular 15-08 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 program occurred. An audit includes examining, on a test basis, evidence about Hudson'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Hudson's compliance.

Opinion on Each Major Federal Program

In our opinion, Hudson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Hudson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hudson's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hudson's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

DeSena & Company

East Hanover, New Jersey

September 6, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 reportable condition(s) 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) Dollar threshold used to determine Type A programs \$750,000
- E) Auditee qualified as low-risk auditee? X yes __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 X no __n/a
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses? __yes X no __n/a
- H) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance __yes X no __n/a

- I) Identification of major programs:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED December 31, 2017

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

State Awards Section

J) Dollar threshold used to determine Type A programs

\$750,000

K) Auditee qualified as low-risk auditee?

X yes 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 X no n/a

2) Were reportable condition(s) identified that were not considered to be material weaknesses?

 yes X no n/a

H) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08?

 yes X no n/a

I) Identification of major programs:

Contract Number(s)

Name of State Program

N/A

N/A

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 an audit in accordance with the Uniform Guidance.

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

*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 the Uniform Guidance and New Jersey OMB Circular 15-08.

NONE