

*Financial Statements*

# Hudson Regional Health Commission

December 31, 2012

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The Management's Discussion and Analysis and the other required supplementary information pages 3 through 6 and 18 through 31, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2013 on our consideration of Hudson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

  
DeSENA & COMPANY

East Hanover, New Jersey  
September 27, 2013

HUDSON REGIONAL HEALTH COMMISSION  
MEADOWVIEW COMPLEX  
595 COUNTY AVENUE, BUILDING 1, SECAUCUS, NEW JERSEY 07094  
TEL. (201) 223-1133 FAX (201) 223-0122

Richard J. Censullo, 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 functions as the CEO and is in full charge of all Commission operations. The Commission has on staff a Chief Financial Officer who holds a license as a Certified Municipal Financial Officer.

The Commission staff presently comprises thirty 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.).

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

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

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, NJDHSS and the USEPA. Each relationship is subject to termination on a year to year basis; thus, the viability of the Commission is a function of at least two factors: delivery of a quality service and the annual allocation of available resources by contracting units.

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

By Statute a regional health commission is authorized to receive funds from any source. Since 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 12/31/12, the Commission's fund balance of the Consolidated Funds was \$262,578 and unamortized deferred revenue, \$955,761.

### **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 2012 budget includes over twenty independent sources of revenue, each to varying degrees vulnerable to abrupt discontinuance. The Commission will not attain a level

of stability normally associated with traditional governmental entities, unless it becomes part of an established level of government, such as the County.

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.

Efficient and effective fiscal management has been most critical to its very viability, particularly management of its reserve account which has been judiciously utilized in virtually every year of the Commission's existence to bridge the budgetary gap between current revenues and appropriations. In the absence of this mechanism the Commission would have ceased to effectively operate decades ago. Unrestricted reserves must be maintained at a level sufficient to assure budgetary integrity far enough in to the future to maintain the agency's status as a "going concern" sufficiently funded to minimize any possibility for discontinuation of essential services. The formula for sustaining the Commission in the past will not change going forward as economic challenges become even more pronounced across all levels of the public sector.

Cost cutting has already begun with the unfortunate reduction in force of two part time employees in 2011. Legislative changes at the state level have resulted in increased contributions toward medical and pension benefits at both the state and local level. The State has also taken measures to permit local agencies to raise the retirement age of employees to reduce the overall cost of post-retirement medical benefits by more closely coordinating with Medicare coverage which substantially reduces the cost of premiums. This option remains available to the Commission for evaluation.

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.

It should be noted that to its credit in an effort to utilize highly conservative fiscal practices, the Commission has established a reserve fund for post-retirement medical benefits. By prevailing accounting standards it is not required to so: rather it is required only to reflect the liability in the notes to the audit report.

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, this year one position was left vacant upon retirement of an employee. The work and grant requirements were 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 need of hiring an additional seasonal employee for the mosquito program.

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. This year we have updated our contract with the 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, 2012**

	General Fund	Environmental Quality Enforcement Fund	Penalty Enforcement Fund	Adjustments	Statement of Net Assets
<u>Assets</u>					
Cash & Equivalents	\$ 158,842	\$ 25,083			\$ 183,925
Cash Management Fund	1,999,098	446,333	\$ 96,726		2,542,157
Accounts Receivable Grants & Contracts	356,058				356,058
Accounts Receivable Municipalities	77,219				77,219
Accounts Receivable Fines		2,376,517			2,376,517
Capital Assets net of Accumulated Depreciation (Note 10)				143,240	143,240
					-
					-
Total Assets	<u>\$ 2,591,217</u>	<u>\$ 2,847,933</u>	<u>\$ 96,726</u>	<u>\$ 143,240</u>	<u>\$ 5,679,116</u>
<u>Liabilities &amp; Reserves</u>					
Accounts Payable	\$ 139,081				139,081
Accrued Salaries	1,834				1,834
Payroll Taxes & Deductions Payable	12,628				12,628
Unearned Registration Fees	955,761				955,761
Unearned Notice Violations		\$ 2,376,517			2,376,517
Reserve Post Retirement Benefits	946,342				946,342
Reserve for Expenditures HCIA Equipment	7,869				7,869
Reserve Expend CRI	207,857				207,857
Advances Ironman Foundation	504				504
Advance NJ Lead Grant	6,250				6,250
Advance NJ CDCXI	50,513				50,513
Due Hudson County Improvement Authority		291,662			291,662
Total Liabilities & Reserves	<u>\$ 2,328,639</u>	<u>\$ 2,668,179</u>	<u>\$ -</u>		<u>\$ 4,996,818</u>
<u>Fund Balances / Net Assets</u>					
Unreserved	\$ 262,578			\$ 143,240	\$ 405,818
Reserved		\$ 179,754	\$ 96,726		\$ 276,480
Total Liabilities & Fund Balances	<u>\$ 2,591,217</u>	<u>\$ 2,847,933</u>	<u>\$ 96,726</u>	<u>\$ 143,240</u>	<u>\$ 5,679,116</u>
<u>Net Assets:</u>					
Invested in Capital Assets					\$ 143,240
Unrestricted General Fund					262,578
Restricted Penalty Enforcement					96,726
Restricted EQEF Fund					179,754
Total Net Assets					<u>\$ 682,298</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, 2012**

	Environmental Activities	Public Health Activities	(EQEF) Environmental Activities	Total	Adjustments Note A	Statement of Activities
<u>Revenues</u>						
Registrations	\$ 319,587					
Municipal	247,360					
USEPA	96,291					
RTK	17,575					
NJDEPCHEA	222,566					
NJ Lead Program	12,500					
EQEF			\$ 88,117			
HCIA	129,387					
County	854,593					
EBL Municipal	11,300					
Interest	802		89			
Miscellaneous	8,397					
Ironman Foundation		\$ 146				
Rutger University		7,500				
HCIA	2,729					
HOME	6,936					
Jersey City Lead	3,500					
CDC X & XI		410,376				
Total	\$ 1,933,523	\$ 418,022	\$ 88,206	\$ 2,439,751		\$ 2,439,751
<u>Expenses</u>						
Personnel	\$ 2,259,171					
Office	18,364		\$ 30			
Travel	25,194					
Contractual	66,049					
Equipment	13,861					
Other	23,178					
Grants & Contracts for Services:						
Ironman Foundation		\$ 146				
Rutgers		7,500				
CDC X & XI		410,376				
Depreciation					\$ 55,856	
Capital Outlay					(3,375)	
Total	\$ 2,405,817	\$ 418,022	\$ 30	2,823,869	\$ 52,481	2,876,350
Excess Revenues(Expenditures)	\$ (472,294)	\$ -	\$ 88,176	\$ (384,118)	\$ (52,481)	\$ (436,599)
<u>Changes in Net Assets</u>						
Fund Balances/Net Assets:						
Beginning of Year						1,118,844
Transfer from EQEF to General Fund						(100,000)
Transfer general Fund from EQEF						100,000
Interest Income Penalty Enforcement						54
Rounding						(1)
End of Year						\$ 682,298

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2012**

Cash Flows From Operating Activities:		
Excess of Expenditures over Revenues		\$ (436,599)
Interest Income Penalty Enforcement		51
Adjustments to reconcile Excess of Revenues Over Expenditures to Net Cash Provided by Operating Activities:		
Increase Post Retirement Benefits	\$ 134,456	
Increase in Receivables	(59,806)	
Decrease Prepaid Expense	1,283	
Increase in Accounts Payables	6,347	
Increase in Payroll Taxes & Deductions	11,497	
Decrease in Unearned Registration Fees	(199,212)	
Increase Payable HCIA	98,084	
Depreciation	55,856	
Increase in Accrued Salaries	431	
Decrease in Reserves	(1,005)	
Increase Advance Grant Payments	57,267	
Additions to Fixed Assets	(3,375)	
Rounding	5	
		<u>101,828</u>
Net Cash Used by Operating Activities		<u>\$ (334,720)</u>
Net Decrease in Cash & Cash Equivalents		\$ (334,720)
Cash - Beginning of Period		<u>3,060,802</u>
Cash - End of Period		<u><u>\$2,726,082</u></u>

See accompanying notes to financial statements.

**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

Note 1

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

Governmental fund financial statements report using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, 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, 2010, Hudson Regional Health Commission entered into an agreement for a period of seven years 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 \$121,959 annually. The \$121,959 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, 2011 to December 31, 2015. Registration fees collected during the twelve month period of January 1, 2012 to December 31, 2012 were collected for the 2011 registration period and income was recognized thru December 31, 2012.

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 6.78% starting with the

**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

Note 4 (Continued)

payroll of 7/15/13 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 August 29, 1997, Hudson Regional Health Commission entered into an Interlocal Service Agreement with the Town of Secaucus. The term of this agreement is from July 1, 1997 to December 31, 2002. The agreement is currently under negotiation for renewal. 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. The town shall keep as revenues the first \$5,000 in penalties or fines collected and thereafter fifty percent (50%) of the penalties or fines collected with regard to violations of the Ordinance prosecuted in the Municipal Court of the Town of Secaucus shall be paid over 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 Commissions 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, 2012**

Note 7

On 3/23/09, a lease agreement was entered into with the Xerox Capital Services for a Xerox W5645PT Copier. The total payments under this lease are:

<u>Months</u>	<u>Monthly Rental</u>	<u>Total Payments</u>
48	\$268.80	\$12,902.40

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, 2012, with an expiration date of February 1, 2014.

**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

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 12/31/11	Additions 2012	Net Balance 12/31/12
Cost of Capital Assets	\$1,199,885	\$ 3,375	\$1,203,260
Accumulated Depreciation	<u>1,004,164</u>	<u>55,856</u>	<u>1,060,020</u>
Total	\$195,721	\$(52,481)	\$143,240

Note 11

Vacation/Comp Time

The Commission does not have the policy of accruing for unused vacation ,comp time, or sick leave. As of December 31, 2012 the amounts earned but not paid amounted to approximately :

Sick Time	\$373,843
Comp Time	8,703
Vacation Time	<u>47,332</u>
Total	<u>\$429,878</u>

Note 12

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.

**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

Note 13

Contracts for Service and Grant Agreement Contracts

The Commission has entered into Contracts for Services with:

MUNICIPAL	1/1/13-12/31/13	\$ 219,860
USEPA/CEHA 2012/2013	1/1/13-6/30/13	48,146
USEPA/CEHA 2013/2014	07/01/13-12/31/13	48,146
CEHA/UST	1/1/13-12/31/13	52,500
CEHA/NJDEP	1/1/13-12/31/13	196,470
CEHA/IDLING	1/1/13-12/31/13	10,000
RTK 2012/2013	1/1/13-6/30/13	8,788
RTK 2013/2014	07/01/13-12/31/13	8,787
HCIA	1/1/13-12/31/13	133,269
COUNTY	1/1/13-12/31/13	1,110,971
EBL: Bayonne 2012/2013	1/1/13-6/30/13	900
EBL: Bayonne 2013/2014	07/01/13-12/31/13	900
Harrison 2012/2013	1/1/13-07/31/13	350
Harrison 2013/2014	8/1/13-12/31/13	250
Hoboken 2012/2013	1/1/13-05/31/13	250
Hoboken 2013/2014	07/01/13-12/31/13	350
Kearny 2012/2013	1/1/13-02/28/13	200
Kearny 2013/2014	3/1/13-12/31/13	1,000
N. Bergen 2012/2013	1/1/13-02/28/13	500
N. Bergen 2013/2014	3/1/13-12/31/13	100
Union City 2012/2013	1/1/13-02/28/13	1,200
Union City 2013/2014	3/1/13-12/31/13	6,000
West New York 2012/2013	1/1/13-1/31/13	250
West New York 2013/2014	2/2/13-12/31/13	2,750
EQEF	1/1/13-12/31/13	179,000
DEFERRED REVENUE R&C	1/1/13-12/31/13	318,587
MISC. REVENUE	1/1/13-12/31/13	19,097
MRC 2013	1/1/13-7/31/13	4,000
MRC IRONMAN	1/1/13-12/31/13	504
JUC LEAD	1/1/13-12/31/13	681
CDC 2012/2013	1/1/13-6/30/13	188,639
CRI-CDC 2012/2013	1/1/13-6/30/13	63,920
HPP 2012/2013	1/1/13-6/30/13	4,400
CDC 2013/2014	07/01/13-12/31/13	137,363
CRI-CDC 2013/2014	07/01/13-12/31/13	53,626
HPP 2013/2014	07/01/13-12/31/13	2,273
RUTGERS' DEPLOYED WARFIGHTER	01/01/13-6/30/13	3,750
RUTGERS' DEPLOYED WARFIGHTER	07/01/13-12/31/13	3,750
STATE LEAD GRANT 2012/2013	1/1/13-6/30/13	12,500
STATE LEAD GRANT 2013/2014	07/01/13-12/31/13	12,500
HCIA EQEF RESEVE	1/1/13-12/31/13	7,869
TOTAL		<u>\$ 2,864,396</u>



**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

Note 14

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.

Note 15

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

**Hudson Regional Health Commission**  
**Notes to Financial Statements**  
**December 31, 2012**

Note 15

Other Post-Employment Benefits ("OPEB")

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 are billed to the Commission on a monthly basis. The Commission's contributions to the SHBP for the years ended December 31, 2009, 2010, 2011 and 2012 were \$17,784, \$22,773, \$52,697 and \$75,184 respectively, which equaled the required contributions for each year. There were approximately 1, 2, 3 and 4 retired participants eligible at December 31, 2009, 2010, 2011 and 2012 respectively.

Note 16

Other

As of December 31, 2012 the Commission had uninsured cash balances totaling \$2,542,157 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, 2012**

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	\$1,659,520
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. As of July 15, 2013 contributions will be based on percentage of Salary Range. Employee contributions are pre-tax under a Section 125 plan.

## SUPPLEMENTARY INFORMATION

**HUDSON REGIONAL HEALTH COMMISSION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012**

Category	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (See Note A)
<u>Personnel</u>			
Salaries	\$ 1,570,000	\$ 1,482,587	\$ 1,413,435
Payroll Taxes	136,552	136,900	115,168
Overtime	15,000	24,384	16,118
On Call	17,000	17,000	13,830
Health benefits	240,000	240,000	234,352
Retirees Health Benefits	104,000	104,000	92,615
Dental Plan	21,000	21,000	15,906
Public Employee Retirement System	218,000	218,000	187,690
Workers Comp.	32,000	31,864	27,760
Post Retirement Benefits	-	128,132	128,132
Temporary	14,000	14,213	14,165
Total	<u>\$ 2,367,552</u>	<u>\$ 2,418,080</u>	<u>\$ 2,259,171</u>
<u>Grant Programs</u>			
MRC NACCHO 2012	\$ 5,000	\$ -	\$ -
MRC Ironman	-	147	146
Rutgers Deployed Warfighters	-	7,500	7,500
Rutgers Dev. Appl. Tech.	-	(1,302)	-
CDC X & XI	254,655	410,375	410,375
HCIA EQEF	9,607	1,021	-
Total	<u>\$ 269,262</u>	<u>\$ 417,741</u>	<u>\$ 418,021</u>
<u>Office</u>			
Office Supplies	\$ 15,000	\$ 15,000	\$ 7,498
Office Equipment	15,000	4,000	2,034
Postage	6,000	6,000	3,830
Copier Lease/Maint.	4,000	4,000	3,226
Publications/Subscription	4,800	4,800	1,144
Legal Advertisement	2,000	2,000	478
Cooler Rent	560	560	154
Total	<u>\$ 47,360</u>	<u>\$ 36,360</u>	<u>\$ 18,364</u>
<u>Travel</u>			
Conventions/Meetings	\$ 5,000	\$ 5,000	\$ 2,907
Auto Maintenance	12,000	12,000	5,218
Gasoline	18,000	18,000	17,010
Mileage Reimbursement	1,500	1,500	59
Total	<u>\$ 36,500</u>	<u>\$ 36,500</u>	<u>\$ 25,194</u>
<u>Contractual</u>			
Insurance	\$ 28,000	\$ 28,000	\$ 20,270
Auditor	19,500	20,050	18,476
Legal	20,000	26,000	22,929
Payroll Service	3,500	3,500	2,874
Weather Emergency Oper.	1,500	1,500	1,500
Total	<u>\$ 72,500</u>	<u>\$ 79,050</u>	<u>\$ 66,049</u>
<u>Equipment</u>			
General Supplies	\$ 9,000	\$ 10,302	\$ 6,643
Equipment Maintenance	9,000	9,000	3,843
Equipment	20,000	20,000	3,375
Total	<u>\$ 38,000</u>	<u>\$ 39,302</u>	<u>\$ 13,861</u>
<u>Other</u>			
Training	\$ 4,000	4,000	\$ 3,925
Communications	22,000	22,000	12,083
Medical Surv.	6,500	6,500	553
Laboratory	7,000	7,000	3,446
Commission Meetings	1,500	1,500	681
Miscellaneous	2,000	2,000	187
Bank Service Fees	750	750	310
Reserve for Emergency Operation	5,000	-	-
Membership/License	1,500	2,000	1,993
Total	<u>\$ 50,250</u>	<u>\$ 45,750</u>	<u>\$ 23,178</u>
Total Expenditures	<u>\$ 2,881,424</u>	<u>\$ 3,072,783</u>	<u>\$ 2,823,838</u>

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts
	Original	Final	Budgetary Basis (See Note A)
<u>Estimated Revenue</u>			
Municipal	\$ 274,860	\$ 247,360	\$ 247,360
USEPA	96,292	96,292	96,292
RTK	17,575	17,575	17,575
CEH/NJDEP	190,333	193,011	193,011
CEHA/UST	38,888	29,555	29,555
HCIA	129,387	129,387	129,387
County	854,593	854,593	854,593
EBL: Bayonne	1,800	2,850	2,850
Harrison	600	350	350
Hoboken	600	600	600
Kearney	1,200	1,800	1,800
N. Bergen	600	300	300
Union City	7,200	4,200	4,200
West NY	3,000	1,200	1,200
Reserve	895,234	626,732	626,732
Deferred Revenue R&C	-	319,587	319,587
HRHC-EQEF	100,000	100,000	100,000
CDC XI 2012/2013	-	154,891	154,891
CDC 2011/2012	254,655	254,463	254,463
HPP 2012/2013	-	1,021	1,021
FEMA	-	12,348	-
MRC NACCHO 2012	5,000	-	-
Iron Man	-	147	146
Rutgers Deployed Warfighter	-	7,500	7,500
State Lead	-	12,500	12,500
HCIA EQEF	9,607	1,021	-
Jersey Fire Department Lead	-	3,500	3,500
Total Revenues	<u>\$ 2,881,424</u>	<u>\$ 3,072,783</u>	<u>\$ 3,059,413</u>
Excess Revenues / Expenditures			<u>\$ 235,575</u>

See accompanying notes to financial statements.

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

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	\$ 3,059,413
Difference - budget to GAAP:	
Reserve Appropriation is not considered a current year revenue for financial reporting purposes	\$ (626,732)
Reserve Appropriation is not considered a current year revenue for financial reporting purposes	(100,000)
Revenues considered a current year revenue for financial reporting purposes:	
Interest Income	802
Miscellaneous Revenue-Mileage	7,649
NJ State	328
Miscellaneous Revenue-Other	198
HC Prosecutor's Office	222
HCIA Hazardous Waste	2,729
HOME	6,936
	<u>(707,868)</u>
Total Revenues as reported on the statement of revenues, expenditures and changes in fund balances Governmental Funds/ Statement of Activities	<u>\$ 2,351,545</u>
<u>Uses/Outflows of Resources</u>	
Actual Amounts (budgetary Basis) "total charges to appropriations" from Budgetary Comparison Schedule	\$ 2,823,838
Rounding	\$ 1
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 Depreciation exceeded Capital Outlay in the current period	<u>52,481</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds/Statement of Activities	<u>\$ 2,876,320</u>

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION  
SCHEDULE OF GRANTS & CONTRACTS RECEIVABLE  
DECEMBER 31, 2012**

NJ Dept. of Environmental Protection (CEHA)	\$ 54,245
NJ Dept. of Environmental Protection (USEPA)	24,073
NJ Dept. of Health & Senior Services (County Right to Know)	8,787
HOME-Hudson County	6,936
NJ Dept. of Environmental Protection (CEHA) (UST)	14,778
Hudson County	213,648
Hudson County Improvement Authority	32,347
Hudson County Improvement Authority	<u>1,244</u>
 Total	 <u><u>\$ 356,058</u></u>

See accompanying notes to financial statements.



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

Jersey City	\$ 21,986
Bayonne	35,608
Weehawken	1,319
West New York	5,298
Harrison	1,265
Hoboken	4,327
Kearney	4,416
Union City	<u>3,000</u>
Total	<u><u>\$ 77,219</u></u>

See accompanying notes to financial statements.

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

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number/ Contract Number	Program or Award Amount	Federal Revenue Recognition	State Revenue Recognition	Expenditure	
					2011	2012
<u>Federal Awards</u>						
US Environmental Agency Air Pollution/Clean Air Act	66.001	\$ 96,291	\$ 96,291			\$ 96,291
NJ Dept. of Health & Senior Services: Hiper (Lincs Agencies)						
8/10/12-6/30/13	93.069	\$ 412,870	155,911			155,911
8/10/11-8/9/12	93.069	\$ 407,449	254,463		\$ 152,986	254,463
CLPP & Healthy Homes Homes Grant						
7/1/12-6/30/13	46.0209	\$ 25,000	12,500			12,500
Rutgers University/USDA Agricultural Research Service						
4/20/12-9/30/14	12.360	\$ 15,000	<u>7,500</u>		<u></u>	<u>7,500</u>
Total Federal Awards			<u>\$ 526,665</u>		<u>\$ 152,986</u>	<u>\$ 526,665</u>
<u>State of NJ Awards</u>						
NJ Dept. of Environmental Protection County Environmental Health Act	CEHA					
1/1/12-12/31/12	EN12-018	\$ 222,566		\$ 222,566		\$ 222,566
NJ Dept. of Health & Senior Services: County Right to Know	92-2231-RTK-00					
7/1/12-6/30/13		\$ 17,575		8,788		8,788
7/1/11-6/30/12		\$ 17,575		<u>8,788</u>	<u>\$ 8,778</u>	<u>8,788</u>
Total State Awards				<u>\$ 240,142</u>	<u>\$ 8,778</u>	<u>\$ 240,142</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, 2012

	<u>Budget</u>	<u>Expenditures 2011</u>	<u>Expenditures 2012</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
Project Period 7/1/11 - 6/30/12	<u>\$ 96,291</u>	<u>\$ 48,146</u>	<u>\$ 48,146</u>	<u>\$ 96,292</u>	<u>-</u>
Project Period 7/1/12 - 6/30/13	<u>\$ 96,291</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) 2013  
YEAR ENDED DECEMBER 31, 2012

	Budget 8/10/12-6/30/13	Expended 12/31/2012	Audited Expenditures	Questioned Costs
<u>Cost Category</u>				
Personnel Costs	\$ 243,318	\$ 109,516	\$ 109,516	\$ -
Fringe Benefits	90,375	39,090	39,090	
Consultant	3,522			
Equipment	19,771			
<u>Other Cost Categories</u>				
Office Expenses & Related Cost	11,000	3,495	3,495	
Program Expense & Related Costs	31,425	1,021	1,021	
Travel, Conferences & Meetings	13,459	2,789	2,789	
Total	<u>\$ 412,870</u>	<u>\$ 155,911</u>	<u>\$ 155,911</u>	<u>\$ -</u>

See accompanying notes to financial statements.

HUDSON REGIONAL HEALTH COMMISSION  
NJ DEPARTMENT OF HEALTH & SENIOR SERVICES  
PHILEP (LINCS AGENCIES) 2012  
GRANT #PHLP 12 LNC 022  
YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u> <u>8/10/11-8/9/12</u>	<u>Expended</u> <u>12/31/2011</u>	<u>Expended</u> <u>12/31/2012</u>	<u>Audited</u> <u>Expenditures</u>	<u>Questioned</u> <u>Costs</u>
<u>Budget Categories</u>					
Personnel Costs					
Salaries & Wages	\$ 279,997	\$ 109,605	\$ 169,617	\$ 279,221	\$ -
Fringe Benefits	105,144	37,213	72,806	110,020	-
Consultant/ Professional Services	4,074		4,074	4,074	
<u>Other Cost Categories</u>					
Office Expenses & Related Cost	10,141	3,542	4,814	8,355	-
Travel, Conferences & Meetings	<u>8,093</u>	<u>2,626</u>	<u>3,153</u>	<u>5,779</u>	<u>-</u>
Total	<u>\$ 407,449</u>	<u>\$ 152,986</u>	<u>\$ 254,464</u>	<u>\$ 407,449</u>	<u>\$ -</u>

See accompanying notes to financial statements.

INDEPENDENT AUDITOR'S REPORTS

**HUDSON REGIONAL HEALTH COMMISSION**  
**USDA-AGRICULTURE RESEARCH SERVICE**  
**CFDA #12.360**  
**AUTODESEMMINATION OF PYRIPROXYFEN**  
**AGAINST MOSQUITOS THAT TRANSMIT DENGUE**  
**YEAR ENDED ENDED DECEMBER 31, 2012**

	<u>Budget</u>	<u>Expended</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
Project Period 4/2012 - 9/30/14	<u>\$ 15,000</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>-</u>

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION**  
**GRANT #DFHS13CHD018**  
**CLPP & HEALTHY HOMES GRANT**  
**YEAR ENDED ENDED DECEMBER 31, 2012**

	<u>Budget</u>	<u>Expenditures 12/31/2012</u>	<u>Audited Expenditures 12/31/2012</u>	<u>Questioned Costs</u>
Project Period 7/1/12 - 6/30/13				
Salaries & Wages	\$ 16,045	\$ 8,022	\$ 8,022	\$ -
Fringe Benefits	<u>8,955</u>	<u>4,478</u>	<u>4,478</u>	<u>-</u>
Total	<u>\$ 25,000</u>	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ -</u>

See accompanying notes to financial statements.



HUDSON REGIONAL HEALTH COMMISSION  
STATE OF N.J. DEPARTMENT OF ENVIRONMENTAL PROTECTION  
(CEHA) GO# EN12-018  
YEAR ENDED DECEMBER 31, 2012

	Final Approved Budget	Expended 12/31/2012	Audited Expenditures	Questioned Costs
<u>Term 1/1/12- 12/31/12</u>				
<u>Cost Category</u>				
Personnel				
Salaries	\$ 185,023	\$ 185,023	\$ 185,023	
<u>Other Costs</u>				
Pesticides Inspector	\$ 7,988	\$ 7,988	\$ 7,988	
UST Pilot Project	29,555	29,555	29,555	
	<u>\$ 37,543</u>	<u>\$ 37,543</u>	<u>\$ 37,543</u>	<u>\$ -</u>
 Total	 <u>\$ 222,566</u>	 <u>\$ 222,566</u>	 <u>\$ 222,566</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 #92-2231-RTK-00  
 YEAR ENDED DECEMBER 31, 2012

	<u>Final Budget</u>	<u>Expended 12/31/2011</u>	<u>Expended 12/31/2012</u>	<u>Audited Expenditures</u>	<u>Questioned Costs</u>
<u>July 1, 2011 - June 30, 2012</u>					
Personnel Cost	<u>\$ 17,575</u>	<u>\$ 8,788</u>	<u>\$ 8,788</u>	<u>\$ 17,575</u>	<u>\$ -</u>
<u>July 1, 2012 - June 30, 2013</u>					
Personnel Cost	<u>\$ 17,575</u>	<u>\$ -</u>	<u>\$ 8,788</u>	<u>\$ 8,788</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**HUDSON REGIONAL HEALTH COMMISSION  
2012 IRONMAN US CHAMPIONSHIP GRANT  
YEAR ENDED DECEMBER 31, 2012**

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>	<u>Expended 2012</u>	<u>Unearned</u>
10/18/2012	Medical Reserve Corps	<u>\$ 650</u>	<u>\$ 146</u>	<u>\$ 504</u>

See accompanying notes to financial statements.

## INDEPENDENT AUDITOR'S REPORTS



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

## INDEPENDENT AUDITOR'S REPORT

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Hudson Regional Health Commission, (Hudson) as of and for the year ended December 31, 2012 and have issued our report thereon dated September 27, 2013. We conducted our audit in accordance with generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

#### Compliance and Other Matters

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

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



DeSENA & COMPANY

East Hanover, New Jersey  
September 27, 2013



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

INDEPENDENT AUDITOR'S REPORT

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

Compliance

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

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

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

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

### Internal Control Over Compliance

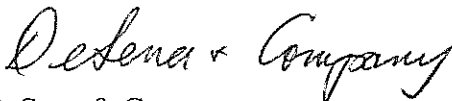
The management of Hudson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Hudson's internal control over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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal and state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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



DeSena & Company

East Hanover, New Jersey  
September 27, 2013



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

*Part 1 - Summary of Auditor's Results*

**Financial Statement Section**

- A) Type of auditor's report issued: Unqualified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? yes 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 \$300,000
- 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 OMB Circular A-133 Section 510(a)? yes X no n/a

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.069	PHILEP LINCS Agencies
66.001	Air Pollution Clean Air Act
12.360	USDA Agriculture Research Service
46.0209	CLPP and Healthy Homes Grant

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

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

**State Awards Section**

- J) Dollar threshold used to determine Type A programs \$300,000
- K) Auditee qualified as low-risk auditee? 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 04-04?    yes X no    n/a
- I) Identification of major programs:

Contract Number(s)

N/A

Name of State Program

N/A

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

*Part 2 - Schedule of Financial Statement Findings*

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

NONE

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

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

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

NONE